OCTOBER, 1958

Credit and FINANCIAL MANAGEMENT

INSURANCE ISSUE
Volume 60 Number 10

An Analysis of Hazards And Prevention of Loss —*A Symposium*

Insuring against Damage to Accounts Receivable

Business Life Insurance A Financial Prescription

Outside Capital Sources; Why Companies Seek It

Coinsurance Can "Break" You If Coverage Is Not On Full Current Value

A Case of Goodwill (*See pp. 5, 1*

Editor's Mail

Utility's Tribute to Banks

"We thought you might be interested in the enclosed advertisement which recently appeared in about 150 weekly and daily newspapers throughout the Otter Tail Power Company service area.

(The advertisement read in part: "Your local banker is . . . the man you turn to for future security, through the savings you place in his institution. In turn, your banker depends upon the area he serves for the money needed to carry on his business . . . The Otter Tail Power Company, in a similar way, depends upon the area it serves."—Ed.)

"This is our way of paying tribute to the banking profession nationally, and to the hundreds of bankers and banking institutions who have done so much to help develop the agricultural, commercial and industrial growth of our area.

"It's one of a series of ads in which we recognize various phases of business and professional life in North Dakota, South Dakota and Minnesota."

ALBERT V. HARTL

Executive Vice President, Otter Tail Power Company, Fergus Falls, Minnesota

Keeps Readers Informed

"We have long enjoyed reading your magazine. The many items and articles explaining the business trends have kept the company's readers well informed.

"We have a special interest in the article on the elimination of monthly statements, which appeared in your July publication. For this reason, we shall appreciate your sending us seven copies of Volume 60—#7 July issue."

H. A. MOSMAN

Credit Department, Blake, Moffitt & Towne, San Francisco, Calif.

Conference Stimulating

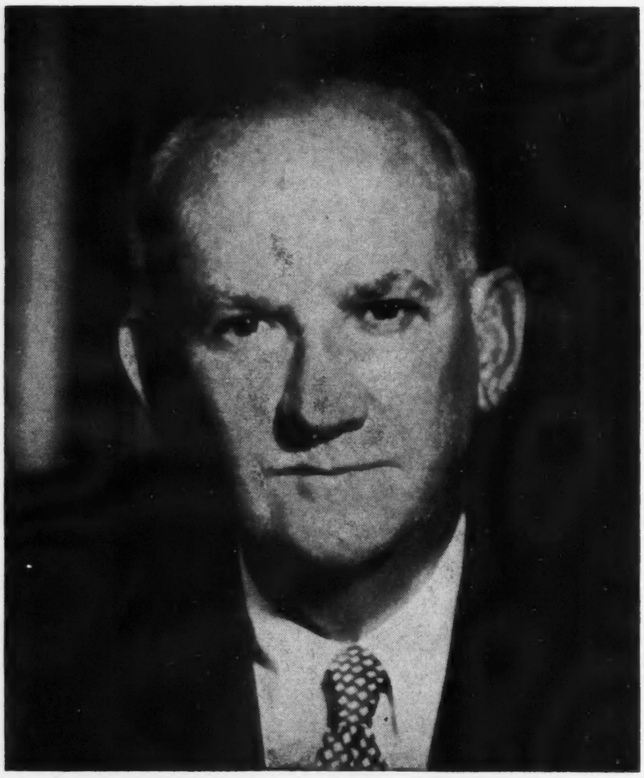
"I found the conference (36th Annual Northwest Conference of Credit Executives at Vancouver, B.C.) both interesting and stimulating, and I must say that everything was done to make it the success it undoubtedly was."

STELLA GARDNER

Credit Manager, A. Kimball Ltd., Toronto, Ont., Canada

HENRY H. HEIMANN

Sept. 26, 1891 Sept. 12, 1958



HENRY H. HEIMANN, executive vice president of the National Association of Credit Management, died of a heart attack September 12th at Winnipeg, Man., immediately after he had delivered the keynote address at the North Central Credit Conference. Attending were credit executives of Minnesota, North Dakota and Winnipeg. The Manitoba Division of The Canadian Credit Men's Trust Association, Ltd., was host. Mr. Heimann had just left the meeting room when he collapsed.

Mr. Heimann, one of the nation's leading economists, was born in Aviston, Ill., Sept. 26, 1891. He first served the National Association as a director, then as central division vice president, was elected president in 1931, executive manager later that year, and in 1950 executive vice president.

Educated at St. Mary's College in St. Mary's, Kans., and St. Louis University in business and accounting, he returned to St. Louis University to study law, was graduated in 1914 and licensed to practice in Missouri and the Federal Courts. He entered business in the accounting field and was successively auditor, credit manager, treasurer and vice president of The Kawneer Company, Niles, Mich.

The Federal government called him to business management service in various posts. In 1934 he was chairman of the United States Shipping Board. He served on the committee which formed the N. R. A. He was a charter member of the Business Advisory and Planning Council of the Department of Commerce. He was a Captain in the Navy.

Mr. Heimann's Monthly Business Review of more than 50,000 circulation was quoted by over 275 newspapers and magazines. He wrote hundreds of articles for national publications. His editorials on this page were frequently reprinted. Special honors were paid him at the 60th Annual Credit Congress, in Cincinnati, for his long service to the credit profession.

Mr. Heimann is survived by his wife, Mrs. Florentine C. Heimann, 1219 Cedar Ave., Niles, Mich.; a daughter, Mrs. Kenneth Hamburger, Effingham, Ill.; a sister, Miss Martha M. Heimann, Clayton, Mo.; and two grandchildren, Richard M. and Heather Ann.

THE OCTOBER COVER

WHAT PRICE GOODWILL? When every endeavor of the credit executive to transform an account into a discounting customer is thwarted by the latter's persistent pessimism and unorthodox business procedures, the efforts may seem to have been wasted.

Quite the contrary. In the case presented on page 14, two facts stand out. The goodwill of the jobber was preserved, and even though he is on a C.O.D. basis he continues to buy from the supplier despite the fact a half dozen others are standing by, ready and eager to take over his orders.

Alvin H. Tanner, secretary and assistant treasurer of Hart's Automotive Parts Company, Chattanooga, tells us all about it. Mr. Tanner is shown at the right in the

cover picture, with W. Russell Johnson (center), vice president and general manager, and Lee A. Elkins, in charge of purchasing and counter sales.

Mr. Johnson, 51, had joined Hart's in 1927 as a delivery boy, from Chattanooga Gas Co. He served in almost every executive post in the organization, from purchasing agent to credit manager before becoming vice president and general manager 18 years ago. He has also been sales manager the last six years.

Mr. Johnson channels most of his community activities through the Rotary Club and his church. He is a director of the Automotive Wholesalers Association of Tennessee.

Mr. Elkins, 38, was with Southern Bell Telephone & Telegraph Company and did his stint in the Army before becoming associated with Hart's in 1945 as a shipping clerk. After periods as warehouse, traffic and store manager he was promoted to purchasing agent in 1951. He also has charge of counter sales. Mr. Elkins is secretary-treasurer of the Purchasing Agents Association of Chattanooga and is active in church work.

Mr. Tanner's career is sketched on page 14.

FINANCIAL MANAGEMENT

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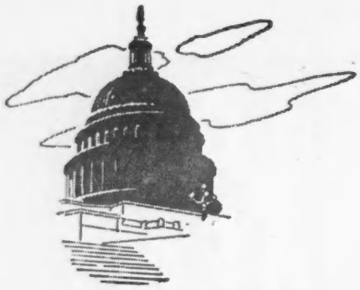


Washington

℄ THE PRESIDENT'S SIGNING of a bankruptcy bill to permit post-petition filing of a Plan of Arrangement under Chapter XI of the Bankruptcy Act culminated several years of effort by the National Association of Credit Management, the National Bankruptcy Conference and other organizations to bring about this and other improvements in Chapter XI provisions. The new law permits a delay in filing the Plan of Arrangement of up to 40 days where previously such a Plan had to be filed simultaneously with the petition. Among other provisions the new law permits modification of a Plan, where necessary, after it has been confirmed; authorizes allowances to attorneys, accountants and agents of the Creditors' Committee; and provides for the adjudication of a debtor on consent without need for a hearing.

Another Bankruptcy Act amendment to pass in the recent Congress was one to permit the trustee in a railroad reorganization proceeding to provide needed improvements in railroad facilities prior to confirmation of the reorganization plan.

Two Others Stalled in Senate

Two other bankruptcy bills passed the House but reached the Senate too late for final action. One was the NACM-backed bill to limit the priorities of unsecured tax claims in bankruptcy (see page 39). The other was a bill sponsored by the Administrative Office of United States Courts to liberalize wage earner plans under Chapter XIII of the Act by making them available to more individual debtors through removal of the $5,000-a-year income limitation.

Budget reform legislation was adopted in line with Hoover Commission recommendation to permit closer Congressional surveillance of Federal agency expenditures. Over the past several years it had the strong backing of NACM and other business organizations. The new law requires Federal agencies and departments to adopt budgeting procedures on an annual accrued expenditure basis in accordance with generally accepted accounting practices in private business. Under this law Federal agencies are required to inform Congress as to what unused funds they still have from earlier appropriations whenever new appropriation requests are made.

Public Debt Ceiling Now $283 Billions

The U.S. public debt ceiling was brought to a permanent maximum of $283 billions from the previous limit of $275 billions. The temporary ceiling was increased to $288 billions from the previous $280 billions with a cut-off date of June 30, 1959.

The Technical Tax Amendments Act intended to eliminate certain loopholes and unintended benefits in the Internal Revenue Act of 1954 passed Congress with the inclusion of provisions designed to give some measure of tax relief to small business. The new law contains provisions for a three-year net loss carryback, accelerated depreciation for certain amounts of new and used property in the year of acquisition, a $100,000 accumulated earnings ceiling, without an accumulated earnings tax, replacing the present $60,000 ceiling, full tax deduction for losses on small business stock, 10-year instalment payments of estate taxes on the assets of closely held small businesses and full deductions for business bad debts.

Another provision of the Act makes it clear that the Federal Government may make an immediate assessment for any deficiencies in bankruptcy or receivership proceedings where the Bankruptcy Act does not require immediate approval of the petition.

Excise Tax Revision Passes

Another tax measure to pass was the comprehensive Excise Tax Revision Bill. It is the first over-all revision of general excise tax provisions since 1932 and makes numerous changes in all of the classes of excise taxes, completely rewriting the provisions relating to documentary stamps, communications and refunds and credit. The new excise tax law also codifies Internal Revenue rulings on instalment accounts by retailers or manufacturers when those accounts include items subject to excise tax. These changes will become effective January 1, 1959.

The new labor pension and welfare funds legislation requires disclosure of the financial operations of such plans. The administrator of such plans must file data with the Secretary of Labor and is required to file annual reports for public inspection. The new law applies not only to union operated plans but to those operated solely by employers or jointly by employers and unions.

Social Security Tax Rates Rise

The new Social Security Tax law will increase such taxes by $1.1 billions next year when the tax rate will go up from 2¼% to 2½% each on employees and employers. The tax is to be collected on $4,800 of annual income instead of

(Concluded on page 32)

Analysis of Hazards —

Hidden Exposures Uprooted By Comprehensive Coverage

Joseph E. Busher, *Controller, The Lukko Sales Corporation, Chicago, Illinois*

ARE you getting up-to-date insurance contracts and the most for your insurance dollar? It is so easy to dispose of insurance problems by accepting recommended policies, paying premiums and lulling oneself into a feeling of security, that it was a revelation when we were asked, "Is your door really closed?" — closed to hidden exposures?

J. E. BUSHER

What we learned when we really put our teeth into the problem will be of interest to companies in all branches of industry, for the many facets of today's insurance coverage offer streamlined methods of comprehensive protection that provide greater economies and stronger safeguards than were possible under older forms.

Our company has expanded rapidly in recent years and, like Topsy, its systems procedures, departmental books of original entry and the insurance portfolio "just growed" as the need arose. It became apparent to management that an overhauling was in order. The transition could not be abrupt and daily business had to be kept current. Accordingly, systems and procedure were modernized, useless records eliminated and controls instituted to supply management with current figures and projections.

With all these changes going on, the insurance program was given only an infrequent and cursory review. When we received notice last year that the Chicago Association of Credit Men was conducting an Insurance Workshop Seminar we immediately saw that this was the answer to our problem, for through the Association it offered us the opportunity to have our complete insurance portfolio reviewed by impartial leading insurance men recognized in their industry. We found our door was really open. At this meeting we were made fully cognizant of our exposure to loss, and we learned about blanket and comprehensive type policies available to our industry, and how safety and fire protection, as well as rate engineering, could reduce our premium cost while providing us the proper protection.

What the Seminar Revealed

Disclosed at the Insurance Workshop Seminar were the following:

The absence of business interruption coverage which would reimburse us for extra expense to continue operations elsewhere.

Lack of adequate property damage liability limits for both automobile and general liability.

Since we (the corporation) purchase building insurance for the owners, we were advised to include our interest in order to eliminate any subrogation rights against us as tenants.

As we have salesmen in several states, an all-state indorsement under the Workmen's Compensation Policy was recommended.

It was pointed out that through the packaging of insurance we would be able to combine many policies into one contract and secure broader and more comprehensive protection, with a possible overall premium reduction.

It was suggested that we explore the cost of comprehensive dishonesty protection to replace the money-and-securities policy that we had at that time.

Boiler and machinery, products liability, accounts receivable and credit insurance were among some of the forms of insurance suggested at the Seminar to be explored for possible protection from loss in our operation.

The wisdom of completely insuring fully depreciated rolling stock was also weighed carefully.

Brokerage Company Consulted

Following the Seminar and at our legal counsel's and auditing firm's suggestions, we brought in a nationwide insurance brokerage concern that was familiar with our type of operation. As we later learned, it handles the insurance for many manufacturers whose products we sold.

The first step we took was to purchase use and occupancy coverage, which took care of our extra expense exposure, normal profits expected, and continuing expense including our trucking contract if we were closed down. In our program we obtained the package type of policy recommended at the Seminar. This gave us virtually all risk coverage on merchandise, furniture, fixtures and equipment while on our premises and elsewhere. This eliminated six policies for us and instead of reporting to our insurance company on a monthly basis, we now report quarterly. Using this report of values and some additional information our business interruption coverage is now also reviewed quarterly. We have added host's liquor liability and products liability insurance because of the nominal cost and possible exposure.

We feel that now "our door is closed", because we have examined our known exposures carefully with expert insurance counsel. We feel that the door will never be open again, because of the constant vigilance of our insurance advisers and their capable staff. They keep us informed as to ever changing methods of protecting our assets. Our present program is tailored to our current needs. We now have more and better protection that is automatic, and additional forms of insurance, at a cost that is 15 per cent less than what we had been lured into thinking was adequate several years ago.

Joseph E. Busher joined The Lukko Sales Corporation in 1955 as controller and is responsible for the financial management including insurance. Graduate of Notre Dame University (B.C.S.), he is a member of the Chicago Association of Credit Men.

Prevention of Losses

Your Construction Risks and Risks of Your Contractors

J. J. DORGAN, *Treasurer, Continental Oil Company, Houston, Texas*

MOST companies use contractors for new construction. The proper selection of contractors requires a thorough study of each contractor's credit rating, financial position, personal reputation, and reputation as a builder or operator. Since it is not always feasible for the owner to make such inquiries, any plan which can transfer the burden of these investigations can be useful and profitable to the owner company. Much can be accomplished by establishing insurance and bond requirements which effectively will place on insurance companies the responsibility for making such investigations.

J. J. DORGAN

Insurance is an important factor in major construction work, both because it indemnifies against losses resulting from destruction of property or from injury to persons, and also because insurance carriers offer valuable engineering, safety and investigation services. The owner of a business, by establishing a comprehensive contractor's insurance and bonding program, can protect his own financial position as well as the financial position of each of his contractors. An analysis of the hazards and circumstances encountered in general contract operations shows that several types of insurance and security are needed to protect both the owner and contractor. The basic types of insurance involved in such operations are:

(1) Workmen's Compensation Insurance.
(2) Comprehensive General and Automobile Liability Insurance.
(3) Builder's Risk or All Risk Construction Insurance.
(4) Performance and Payment Bonds.

Under the workmen's compensation laws of most states, the owner or general contractor is considered to be the employer of each of his contractors, subcontractors, and their employees, unless these contractors and subcontractors have made proper filings as employers. In order for the owner to protect his own workmen's compensation experience and also make certain that his job is not penalized with extra costs, he should require all of his contractors and subcontractors to file as employers under the workmen's compensation law of the state in which their work is to be done. He should also require them to furnish satisfactory evidence that they have purchased insurance to cover the liability to their employees.

A contractor may perform work in a state or states other than his home state, using employees who reside in his home state. Under these circumstances it is advisable for the owner to require the contractor to make proper filing as an employer under the workmen's compensation law of each of the states in which he operates. This suggestion is made because even though the contractor's home state may have extra-territorial provisions under its workmen's compensation law, his filing as an employer in that state would not qualify him as an employer in any other states.

Frequently the owner is not in a position to supervise the contractor closely, to see that he operates safely and employs standard safety measures and equipment. It becomes expedient then for the owner to specify in his contract that the contractor must protect and indemnify the owner against financial losses due to accidents which arise out of the contractor's operations. Again the word indemnity appears. It is a basic insurance term which looks to the fulfillment of contractual obligations.

Should Carry Adequate Insurance

In order to make certain that the contractor is financially able to fulfill his obligations, the owner should require him to carry adequate comprehensive general liability and automobile liability insurance to cover both bodily injury and property damage. This insurance should include contractual liability coverage to cover the contractor's liability to the owner under the indemnity clause of the contract. The limits of liability insurance to be carried may be determined for each individual job with larger limits per accident being required for work in the more congested areas. If the owner is not staffed to investigate and specify requirements for each individual job, then he should establish standard requirements for all jobs regardless of the type and location. The current trend of the courts in rendering high amounts dictates correspondingly higher limits under an insurance program.

The interest of both the owner and the contractor requires that full insurance to value should be carried on the physical property involved in the project under a broad form of builder's risk or all risk policy. This places behind the contract the support and protection of insurance against a wide variety of hazards. The broader all-risk type of coverage is recommended because in addition to the normal fire and extended coverage hazards it will protect against loss by theft, breakage of glass, transportation hazards, vandalism, malicious mischief, collapse, flood, earthquake, and other hazards.

Owner's All-Risk Coverage

If a company is doing a considerable amount of construction work on projects such as service stations and bulk plants using contractors whose operations are not large enough to warrant the purchase of blanket all risk insurance, there is considerable advantage to be gained by the owner in the purchase of his own blanket all-risk construction coverage. It makes certain that all of his projects are covered by insurance, the higher

(Concluded on page 13)

ANALYSIS OF HAZARDS

A Practical Application of Credit Insurance Reviewed

*By a Policyholder**

DURING World War II our company experienced very few credit and collection problems. Food products were scarce and retailers, as an inducement to their suppliers to fill their requirements as nearly as possible, retired their obligations more promptly than we had ever experienced. Weak credit risk accounts were easily persuaded to pay cash on delivery. The obvious results were extremely low credit losses. It wasn't unusual in one of the war years to recover more from the previous year's losses than was written-off during the current year. In a way we were living in a credit managers' "dream world."

Shortly after mid-1945 this dream rapidly began to dissolve!

It was obvious to us, in 1946 and 1947, that our credit losses were following the accelerated pattern of national failures. Failures pyramided in 1946 and again in 1947. Competitive conditions prevented us from holding the tight rein on credit that had prevailed during the war years, so our credit losses increased at an alarming rate.

Search for Solution Begins

We began to search for the answer to this problem. We must remain reasonably competitive, but any gestures of generosity beyond a competitive situation had to be halted and controlled. With approximately 40 branch offices in California, as well as offices in Chicago, New York, Dallas, Atlanta and Ft. Worth, each of which carried the responsibility of extending credit, such control didn't appear too easy. Eventually we did find a way.

When we first considered credit insurance we never thought of it as a control of credit extension at our branch offices. Our first thought was that we would apply for insurance coverage on some of our larger accounts. In fact, it never occurred to us that blanket coverage on all our accounts could be obtained. Even after we did learn that this could be obtained, we felt the cost would be prohibitive.

Our first contact with a representative of American Credit Indemnity Company of New York was about July, 1947. We had to start from scratch, as we knew nothing about the subject. At first it seemed extremely complicated. The agent used the terms Primary Loss, Co-Insurance, Limited-Extraordinary Coverage, Increased Coverage, Tables of Ratings and Coverage, Optional Filing, and many others that at first meant nothing to us.

However, he mentioned one other thing that caught our attention. That was the word "Riders." He explained that riders could be attached to a policy to cover practically any situation that might arise. In other words, riders could be provided to pattern any policy to the needs of the policyholder. Before we had completed negotiations for our first policy, more than a dozen riders were prepared and became part of that policy.

A limited-extraordinary coverage rider provided us with coverage up to $10,000 on any account on our books (except those we specifically asked be excluded), with an aggregate of $70,000. By application to the insurance company on specific individual accounts, this rider provided as much as $100,000 coverage on one certain account with a minimum of $10,000 on any account. With the specifics we applied for, our aggregate under this rider increased to $170,000. All of this coverage applied to accounts with inferior ratings. Our total coverage, including first and second rated accounts, exceeded $200,000.

Another rider permitted us to exclude from coverage any account that we felt required no coverage. As a result of this rider we excluded sales to governmental agencies, nationally known concerns with AAA1 ratings, and certain well established local concerns. This resulted in a substantial reduction in premium. Another rider gave us coverage on title-retention sales; another covered labor and service.

It took us exactly one year to come up with a policy that precisely fit both our operations and our budget.

Our first policy went into effect July 1, 1948 and has been renewed on its anniversary date every year since. Ten years of credit insurance have given us the desired result of leveling off bad debt losses at a reasonable rate. Prior to World War II the ratio of our bad debt losses to charge sales was as high as .0029. They dropped to practically nil during the war, then rapidly increased to .0014 by 1947. With credit insurance they immediately dropped to .0004 in 1948; were .0003 in 1949; .0002 in 1950 and have never exceeded .0006 since. More than $1.5 millions in claims have been filed in this ten year period, with a net recovery of 89.7 per cent.

Little Change in Basic Credit

In gaining control of our company's accounts through credit insurance, very little change in our basic credit policy was made. We retained our original monetary and time limits. Maximum terms in the food industry have long been monthly. Depending upon the financial strength of the debtor these terms are scaled down to as low as one invoice. Our credit files are fortified with mercantile reports, Credit Interchange data, original applications signed by the customer and as much other information as can be practicably obtained.

If we employed trained creditmen at each branch, it would be routine to proceed from there. However, we don't, and so much of the credit follow-up is left to branch managers and salesmen. These people can be trained to enforce monetary and time limits, but quite often, unless they receive constant reminders, they do very little about the past due bill owed by the customer whose credit has been temporarily (or permanently) curtailed. The result all too often is that these accounts become older and older (we say colder and colder) and with each passing month they become less collectible.

One of the provisions of a credit insurance policy is that the policyholder has the option of filing claims on

(*Concluded on page 13*)

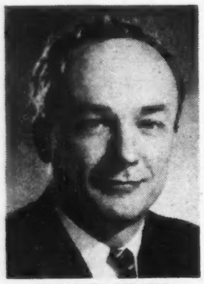
*Name of author and company available on request.

PREVENTION OF LOSSES

Insurance on a Global Basis Has Problems All Its Own

J. W. QUIGLEY, *Assistant to the Treasurer, Freeport Sulphur Company, New York, N. Y.*

IT HAS often been said of one of the products of the company with which I am associated—sulphur—that there is hardly any item you will run across in everyday life in which sulphur has not been used in one form or another: this paper; your clothing and food; the steel, rubber, paint, and gasoline of your car; medicines to keep you young and beauty creams to make you look it. And one of the phases of our business with which I am concerned—insurance—is an equally ever-present part of everyday life: your business assets, your employees, the legal liability of your operations, as well as your home, your car, your health, and even your life.


J. W. QUIGLEY

There are textbooks on insurance and well-written articles on the academic aspects of insurance management which you can read for a more technical background, but in this article I am giving only a broad picture of corporate insurance as it weaves in and out of our operations.

Insurances Is Protection Device

Insurance is simply a device to protect against, reduce, or eliminate loss to a company or an individual which may arise from many kinds of risk. Maybe Hamlet should have known about insurance when he was wishing for something to eliminate "the heartache and the thousand natural shocks that flesh is heir to". For the purist, insurance in the technical sense does not eliminate but distributes loss.

There is one thing wrong with my definition of insurance, "*Simply* a device". Any readers aware of the various forms of coverage available in the ordinary fire insurance on their homes may not find insurance so "simple". And who has not been through a session with the endurance champion, the life insurance salesman (or "estate planner"), without being completely lost in the forms and plans, until even death becomes almost too complicated to face.

Knowing what insurance is may be comforting but, as any householder knows, there are the problems of knowing what risks you have; what risks to cover and what to bear alone; which type of any one form to buy, where to buy it, and what the contract says when you get it. Of course, there may be a loss, and then there are the questions: is it covered, who pays, how much, and when.

Having struggled over your personal fire, automobile, and life insurance, you have a faint idea of what a corporate insurance manager's job is like. Where you have one house, I have hundreds, plus schools, hotels, hospitals, power plants, warehouses, office buildings. You have two cars in your garage; I have cars, busses, trucks, tractors, draglines, fire engines, ambulances, railroad cars, land planes, seaplanes, helicopters.

You have a 17′ Winner, with a 50 h.p. Johnson; I have tugboats, barges, tankers, cruisers. You have your 20′ steel dock at your summer place; I have a dozen docks, one alone loading 1,000 vessels a year, and some of those vessels go out and go under. One even went out and has never written home. You have a wife and two darling children; I have a few thousand husbands, wives and children.

And Additional Differences

Now that you know what insurance is and you are aware that a corporate insurance manager's job is roughly what you do on an idle evening when you call your local insurance man to get your wife's new mink jacket covered (except the insurance manager makes a full-time job out of it), there are a couple of other small differences. The first is a matter of quantity, mobility, and complexity.

Having bought your house and car and mink jacket, you can go back to watching TV until you buy another car. Unfortunately, business property is not as stable. We have at the moment in many states and foreign countries nine companies and numerous operations all subject to change without notice, and usually are doing so. We have people, cars, planes, boats, cargoes, coming and going 'round the clock. The best advice I got as a new insurance manager was to keep my hat on until I had read the morning's mail. If something had gone wrong, perhaps I wouldn't be staying.

The second difference is that you have only yourself to please, while I have a thousand masters. Plant supervisors prefer insurance on everything so that, if a loss occurs, they are paid in full, thus not upsetting operating or capital budgets or running the risk of not having some pet project replaced. Top management might prefer not insuring some risks or taking large deductibles on losses; banks lending us money may prefer another program; contractors doing work for us have their ideas too; and Lord help you if your legal department has any suggestions.

Personnel Insurance

In the field of personnel insurance (life, hospital-medical, and the like) one not only has the college-trained personnel department, management, unions, a few rugged individualists—and, it seems, almost every individual employee to satisfy—but one also becomes involved in the great battle of social insurance, in which it might be better to have no convictions, in order to keep your peace of mind.

Before going into a more serious summary of our insurance operations, I would like to touch on one facet of the insurance business that most impressed me when I first went into it. That is the amount of good old-fashioned integrity and faith that can be involved in insurance transactions. Corporate insurance involves a great many known and unknown risks, and many of the policies are often written in a very broad form, sometimes on very short notice. An insurance manager should present as complete and accurate a picture of the risk

(Continued on page 32)

POLICYHOLDER BEGUN ON PAGE 10

accounts that are no more than three months past due. By so doing, the insurance company accepts them as though the debtor has become insolvent. A major change in our credit policy, at the time we took out our credit insurance policy, was that *all* insured accounts would be filed before they became three months past due. This had an electrifying effect on our branch personnel. They took a certain pride in collecting their accounts before filing date, and our old problem of long overdue accounts was almost entirely eliminated.

However, there are extenuating circumstances that must be met specifically. If, for example, the salesman has a specific promise for the 10th, and the balance became three months past due on the 1st, we still would file, but would request the insurance company's service department to withhold action until after the 10th. Thirty, sixty and ninety-day instalment arrangements are also worked out, but we first clear these with ACI. We have never had such a request denied.

The Service Departments

A word about the splendid service departments of the insurance company is also very much in order. As mentioned above, 89.7 per cent of our claims has been recovered. When we consider that this includes bankruptcies and other insolvencies, this is a tremendous achievement. Nearly all of the credit goes to the service department. These people make few threats. They work very closely with the policyholder and do an excellent job of customer relations.

Another service that deserves commendation is the service rendered by the adjuster. Shortly after the end of the policy year, and after the final claims have been filed, the adjuster visits our office, sits down with our credit manager and reviews our claims. If they are in order, and we have found very few not to be, he immediately issues a check to us for the insured portion of the losses. This is where one becomes familiar with the terms "primary loss" and "co-insurance". Based on past experience our primary loss (or Normal Loss) is quite low. This is deducted from claims filed (less co-insurance) before final settlement is made. Credit insurance is primarily intended to cover *excess* losses, not all losses. Obviously the premium on the latter would be prohibitive.

Our company actively supports the National Association of Credit Management and is a member of the San Francisco Board of Trade. The credit insurance program in no way interferes with participation in these organizations. Quite often a member of the service department attends creditors' meetings, and in each case will go along with the decisions of the majority of creditors present. Where possible, we also attend these meetings, but in our absence we know that we are well represented.

A final word should include the American's agent. We are fortunate enough to have the same agent we started with ten years ago. It was he who worked with us for a full year drafting a policy that would fulfill our requirements. In subsequent years he has given us service in every way possible. We clear all policy matters through him and he is always present when the final adjustment is made each year. The first step toward the enactment of a credit insurance program should be to contact the local agent, bearing in mind that through the expeditious use of riders, a program to fit the company's needs can be drafted.

J. J. DORGAN BEGUN ON PAGE 9

volume of coverage effects a considerable saving in premium cost, and having coverage on all projects under one policy materially facilitates the settlement of losses.

Many unforeseen circumstances, such as sudden changes in economic conditions and loss of the source of supply of materials, which are entirely beyond the control of the contractor, can severely affect the contractor's financial position and make it impossible for him to complete his contract. As a further means of improving the contractor's financial position the owner can require him to furnish a performance and payment bond which will serve as a guarantee to the owner that the job will be completed and that all bills for materials and labor will be paid.

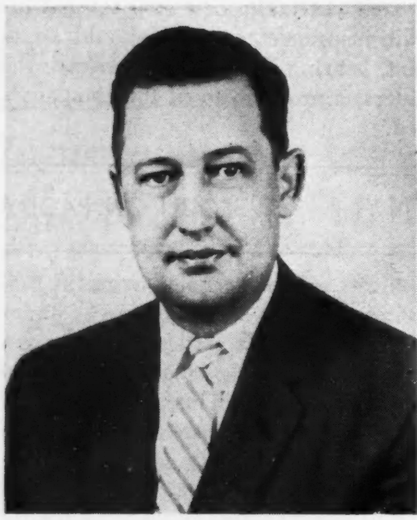
The requirement of a performance and payment bond does two important things for the owner. It eliminates from competition the contractor whose credit rating and financial position are too weak to be considered because he cannot obtain a bond, and it transfers from the owner to the surety company the task of investigating the contractor to determine just what his credit rating and financial position might be.

If the owner is doing a considerable amount of contract work, an owner-controlled bonding program can be advantageous. Under such a program the owner requires that each contractor must furnish a bond through a source dictated by the owner and that all premiums are to be paid by the owner. This allows the owner to take advantage of volume and select a surety company which will write the bonds at a reduced rate in all locations where deviations are permitted.

It also assures that all jobs will be bonded; it eliminates considerable delay in acquisition of each bond in that, so far as possible, all contractors are prequalified so that when the successful bidder is known, the bond can immediately be written; it establishes a procedure which simplifies the handling of claims; and frequently it helps in avoiding claims by stimulating a concerted effort among all concerned when a contractor is in difficulty.

By virtue of its indemnification principle—payment of a loss after it occurs—insurance has been a boon to credit and a stimulus to venture and progress over the years. Its proper application in operating and construction programs can protect credit ratings and financial positions so that the owner of a segment of industry can be assured that his jobs will be completed, the bills will be paid, and that the final cost will stay within his allotted budget.

John K. Dorgan, treasurer, Continental Oil Company, Houston, had joined the company in 1948 at Ponca City, Okla., transferred to Houston, and returned from war service in 1952 as assistant to the president. After periods in Denver and Casper, Wyo., he was promoted to director of credit and insurance last year.



MANAGEMENT AT WORK

.... a problem case is solved

By ALVIN H. TANNER
Secretary and Assistant Treasurer
Hart's Automotive Parts Company
Chattanooga, Tennessee

IN OUR type of business, we are constantly faced with various problems concerning our service station and garage accounts. Since our business is so competitive, we must sell a number of marginal accounts or pass up our share of the business.

Our credit and sales departments have made it a policy for many years to advise and counsel with our marginal accounts in order to help establish good volume customers and good paying customers. We feel that the program has been successful. Of course, we have lost some of these accounts along with some money, too, but the good customers we have helped more than compensate for our losses. Many procedures and devices of the trade have been used, from counseling these accounts regularly at their association meetings to providing credit tools, such as notices and letters. We have our own printing department and have used it advantageously on several occasions. We have also been very successful with the instalment note plan on past due accounts.

However, in this article I would like to discuss our experience with an account of a different nature. Being distributors, we sell to other jobbers. These accounts are large volume buyers with a short margin of profit for our company, thus our greatest credit risks. We insist, therefore, that these accounts discount their purchases, or we do not continue to sell them. However, these accounts can have a month and 20 days of purchases on the books before our cut-off date. This can amount to quite a bit of money for our operation.

One account of this type who had been in business about 20 years wanted to buy from us after leaving a national warehouse organization which had been supplying his needs 100 per cent. His action in leaving that company seemed odd to us, but since his financial statement was fairly good and our sales department report good, we decided to supply him.

He discounted consistently for several months. Then came a month in which he did not pay an account of $2,500. We discussed the situation with the salesman who had called on him and we found that, among other things, he had bought too heavily. To help him out, we pulled his surplus stock and returned it for credit. We talked with him at length about his problems and offered what we considered sound suggestions to improve the operation of his business. (Since we operate several small stores quite successfully ourselves, we think that we have some "know-how" that can be helpful to others.)

Pays Substantial Portion

He was very receptive to our suggestions, but the salesman and I agreed, after we left, that while he was very congenial he was also one of the most pessimistic persons we ever had met, especially about business. He was anything but the "live wire" that a man must be to operate successfully in this highly competitive business. Worst of all, this attitude apparently had spread to his employees.

On the visit we also had made arrangements for the payment of his account, received a substantial portion at the time, and asked for an up-to-date financial statement. When we received the statement a few days later, we found it was not as good as the previous one, but it still indicated no great cause for alarm. When his account was paid over a period of several weeks, we agreed to continue to supply his needs but on a replacement basis only. This was done in spite of a call by our sales manager, who confirmed our conclusion that the account's attitude was decidedly pessimistic.

Two or three months later, he again could not pay for his purchases. Another visit disclosed that he was slowly but steadily losing ground and that our suggestions were not being followed. Once again we tried to "fire him up" a little and received another promise that payment of the account would be forthcoming. This time, his promise was not fulfilled. After several letters and long distance phone calls, we had NACM collect the account for us. During this entire period, he continued to order from us on a C.O.D. basis.

Pays One Order On Reordering

A later financial statement disclosed that the business was still going downhill, and so we continued to sell him on only a C.O.D. basis. But, since we were shipping him five or six orders a month and the C.O.D. charges were eating into his profit, we decided to try him on an arrangement to pay for one order at

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***AFTER** attending the University of Chattanooga, Alvin H. Tanner worked for the Tennessee Valley Authority and served three years in the Army before joining Hart's Automotive Parts Company in 1946 as a bookkeeper.*

Two years later he was named credit manager and accountant. In 1952 he added the duties of office manager. He was appointed assistant secretary-treasurer in 1956, secretary and assistant treasurer this year.

Mr. Tanner is a director of the Cherokee Unit, NACM.

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the time he ordered the next one. This worked fine for a month or two, until our billing department got a little behind and an extra order slipped through the shipping department. Then we again had a collecting job to do, and we were forced to put him back on a C.O.D. basis.

Today, all of us are wondering how he is staying in business, but evidently he is keeping his head above water for he is still a very good C.O.D. customer of ours.

This case did not end as we would have liked. But we are justifiably proud that everything possible was tried and a difficult situation was handled in such a manner that we maintained the goodwill of our customer. That is evidenced by the fact that he still is favoring us with his business though six or seven warehouse distributors in this area could and would supply his needs. We think of this case as one of a number of accounts that have been handled in a similar manner. Some of them are now discounting customers, a few are like the one described.

Our first aim in all our dealings with a customer is to recognize that he, too, is human and that we must maintain his goodwill if at all possible.

1957 Road Toll Reached New High in Human Lives

Highway accident casualties in 1957 reached new highs, to total 38,700 killed and 2,525,000 persons injured. A decrease of 3 per cent from 1956 in the number of fatalities was more than offset by a 6.6 per cent increase in the number of injured, reports The Travelers Insurance Companies, Hartford, Conn., in its annual highway safety booklet, "The Road Toll."

Driver failure rather than condition of car was responsible for most accidents. Over 95 per cent of the vehicles involved in fatal accidents were in apparently good condition. More than 85 per cent of the fatal accidents came in clear weather, 79.6 per cent occurring on dry roads. Excessive speed was the greatest single cause.

More than 26 per cent of drivers involved in fatal accidents were under 25 years of age.

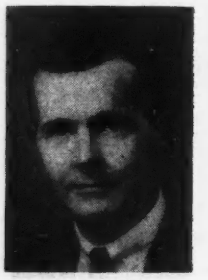
Copies of the 30-page booklet are available free from The Travelers Insurance Companies, while supply lasts.

Insuring against Accounts Receivable Destruction

Non-Covered Loss of Records Could Spell Catastrophe to Company

BY THOMAS M. MEREDITH
Assistant Secretary
Hartford Accident & Indemnity Co.
Hartford, Connecticut

FOR ALMOST ANY company that sells on credit, destruction of accounts receivable records could mean a catastrophe loss. It is a paradox that many firms which conscientiously insure their important assets neglect one of the most important of all—accounts receivable.


T. M. MEREDITH

If accounts receivable records are destroyed, by fire for example, a surprisingly large amount of money will not be collected. In the case of a retailer, up to 70 per cent of the money due will not be collected. With a wholesaler or manufacturer, the amount remaining uncollected will vary greatly, depending upon many factors. The average amount remaining uncollected will be about 30 to 40 per cent.

Relative Importance

A retailer may have $100,000 tied up in accounts receivable, and $4,000 cash on hand. Chances are the cash is fully insured. But what about the accounts receivable, representing many times more money than the cash on hand? If they are destroyed, how will the retailer know who owes how much? Shouldn't they be insured too?

A store sells men's clothing. Before the merchandise is sold, it is almost invariably insured against fire. The store sells a suit on credit. It now has an account receivable—a piece of paper representing not only the cost of the suit to the retailer, but also his overhead and profit. The paper actually represents more in dollars and cents than the original suit.

To permit so vital a part of a retailer's assets to go uninsured is to court disaster. Protection against that catastrophe is the specific purpose of accounts receivable insurance, written by most of the leading casualty and fire insurance companies.

In purchasing insurance, merchants and other businessmen often give first consideration to the probability of a loss. To be sure, this is an important consideration, but it should not completely govern the decision as to the purchase of insurance protection.

The most essential consideration should be, "If the loss does happen, in what condition will it leave us?" If the answer is "serious trouble" or something approaching it, the exposure to such a loss should be insured!

Practically all large department stores and many wholesalers and manufacturers carry accounts receivable insurance for protection against the catastrophe loss that could befall them if their receivable records were destroyed or damaged extensively.

But what about the small or moderate size merchant or businessman who has relatively large sums tied up in receivables? Loss or destruction of his records might well jeopardize his stability, even put him out of business. Many have no insurance against such a contingency.

Some recent losses include $135,000 paid to a wholesaler, representing 41 per cent of the outstanding receivables at the time of a fire; $24,000 to an insurance agent, and $19,000 to a small department store.

Other Expenses

Let's assume that a retailer's receivable records are destroyed by fire. Usually he will collect about 40 per cent of the money due. Not only will he never collect the remaining 60 per cent, but he will incur many expenses trying to collect—telephone calls, overtime wages, newspaper advertisements, printing, personal calls.

It may be that some of the accounts receivable records are damaged, not destroyed. The cost of reconstructing these damaged records could be staggering.

No perils are specifically named in the accounts receivable policy. The policy has one of the simplest insuring clauses in the insurance business, merely stating that it covers "loss of or damage to records of accounts receivable."

Coverage, then, is provided against all perils——such as fire, explosion, burglary, flood, windstorm. There are only two exclusions: war hazards and loss resulting from dishonest, fraudulent or criminal acts committed by an owner, director or trustee.

THOMAS M. MEREDITH, ***graduate of Trinity College, joined Hartford Accident and Indemnity Company in 1948 in the burglary insurance department and subsequently served as an underwriter of burglary and bonds in the New England office. In 1952 he was appointed assistant director of the home office training center, teaching classes in burglary insurance and accident and sickness insurance.***

Mr. Meredith in 1956 was named manager of the burglary and glass department, and last year he was elected assistant secretary of the company.

What the Policy Pays

Accounts receivable insurance pays four things:

First, and most important, it reimburses the policyholder for money due from customers or clients—money which cannot be collected because of loss of or damage to records. It pays him the collection expenses in excess of normal; and thirdly, expenses reasonably incurred in reconstructing such records as can be restored.

The fourth item the policy will pay for is interest charges on a loan obtained to offset impaired collections. A period of 90 days from the date of loss is provided to make as many collections as possible. At the end of this time, the loss is determined and claim filed. In the meantime, a loan might be necessary to continue the business.

The most common question asked about this vital protection is, "How does the insurance company know

how much to pay if the accounts receivable records and control records are destroyed?" The adjustment of loss is based on the total of the outstanding accounts at the end of the same month of the preceding year. This amount is increased or decreased to allow for trend in the aggregate monthly accounts for the past 12 months. A deduction is made for bad debts and all accounts that can be established after the loss occurs. This payment is in addition to items one, two and three mentioned earlier.

The loss adjustment based upon past monthly records is possible because the insured submits monthly reports to his insurance company showing the total outstanding at the end of each month.

What it Costs

Rates for accounts receivable insurance reflect very closely the individual circumstances. We start with the fire contents rate, less a series of discounts. For example, there are discounts up to 40 per cent if the container housing the records is insulated and approved. Recommending adequate equipment is one way insurance agents reduce the probability of a loss, as well as the cost of the policy. The policy will pay the loss but both the insured and the insurance company are better off if the loss never occurs. Duplicate records at another location also qualify for a discount.

A special discount of 20 per cent is given to wholesalers and manufacturers. This discount recognizes the larger percentage of recovery expected as compared to retailers. The final rate developed is multiplied by the average accounts receivable for the last 12 months.

Who Needs a Policy

Anyone who sells goods or services on credit to a large number of customers or clients should have an accounts receivable policy.

But most firms—manufacturers, retailers, wholesalers, doctors, dentists, hospitals, airlines and others—who do business on credit would suffer a disastrous blow if their receivable records were destroyed, stolen or damaged. Accounts receivable insurance stands as the only real safeguard against such loss.

Hartford Accident & Indemnity Company will send a sample policy and the rating formula to anyone requesting it.

Business Life Insurance a Prescription Compounded to Cure Financial Problems

BY GEORGE C. WHITE
Chartered Life Underwriter
Preferred Agency
New York, New York

TOO little attention is given by businessmen to the subject of life insurance in their overall business planning. Talk there is in abundance, but understanding? . . . Very little!

G. C. WHITE

Whether the business is unincorporated and solely owned, a partnership, a close corporation or a public one; whether the enterprise is new or old, large or small — *every* business should be concerned with business life insurance.

Seven-eighths of the more than four million businesses in this country, the U.S. Department of Commerce tells us, employ fewer than eight persons each, and three-fourths employ three or less. What's the point? Business is overwhelmingly *small* business. The dominant role of these sole proprietors, partners and close corporation stockholders in our communities is not to be minimized. The unfortunate truth is that the major part of their assets is tied up in their business, making their entire estates (and, in turn, businesses) vulnerable in case of business disaster or emergency.

Now let's look at the degree of coverage of business. The Bureau of Economic and Business Research of the University of Illinois discovered in a recent survey that three out of five businesses had no business life insurance of any kind. . . and of the 60 per cent who had none, 40 per cent had never even *heard* of it. Without considering commonly known coinsurance hazards in other coverage, would any prudent businessman permit such a state of affairs to exist with reference to fire, liability, or other risks?

The inference to be drawn from these points is threefold:

(1) Recognizing that size alone is no assurance of safety, prudence would appear to dictate that businessmen should balance their business interests by at least carrying some life insurance for business purposes exclusively.

(2) Because it is axiomatic that "no one carries enough insurance", as was borne out by a study made less than two years ago for The Institute of Life Insurance—two out of five questioned felt they didn't have enough coverage—it behooves management to earnestly improve such admittedly sorry performance.

(3) "The Spectator", a national insurance periodical, reported last September from its 1955 survey that on a national scale 47 cents of the public's personal and small business premium dollar went into life insurance. If so, then the problem becomes one of getting a dollar's worth for a dollar! And never was it more incumbent upon management to apply knowledge and resourcefulness to obtain optimum coverage for money spent.

To many, both in and outside the fraternity, business life insurance means partnership, stock purchase or retirement, or key-man protection. Others think of group insurance, and pension or profit-sharing plans. Then there are deferred compensation, split-dollar, plus-dollar, and minimum deposit programs. This is unfortunate, because the shadow of a name often confuses the substance of the need, and these labels are no more than the outer garments that clothe a function.

GEORGE C. WHITE, CLU, has been in the insurance business since 1947 in both management and as a sales consultant specializing in business and personal life estate planning.

Educated in the City College of New York, at Georgetown University's school of foreign service, and Cambridge University in England, Mr. White is an editor of "The Bulletin," insurance monthly, and a teacher at the School of Insurance, instructing in part of the syllabus for professional designation as chartered life underwriter. He holds a captaincy in the U. S. Army Reserve.

For some people, worse still, business life insurance conjures up names of policies. Thus there is a rash of so-called "special" policies as a drug on the market, each presumably better in some mysterious way than the competitions. No wonder that many buyers, with "a plague on all your houses", throw up their hands at the welter of conflicting claims in behalf of "the newest and hottest policy on the market"! Commendable as competition may be—and the insurance companies are meritoriously broadening their sales kits and merchandising —this is not business life insurance. Why? Because business life is not a policy as such, in the sense that use and occupancy is business insurance and a personal property floater is personal insurance. The most that can be said for policies is that they are merely the vehicles employed to carry out a function.

Then, if business life insurance isn't an enshrouded mystery, and if —with such obvious exceptions as group insurance or group annuities —it isn't a policy *per se*, what is it?

Business life insurance is *life insurance brought to bear on business problems*, in order to effect prudent and economical solutions. How business life insurance is utilized or earmarked is another matter. This concept of utility and function is its distinguishing characteristic.

Where and when life insurance can apply to business objectives is the heart of the matter. I'd like to revert to the functional nature of insurance alluded to previously.

The universal basis of insurance of every type is indemnification. Regardless of the characteristics or legal structure of the business, be it old or new, a partnership or a

corporation—the death of some person or persons and the consequent destruction of the human life value mean a measurable loss to the enterprise.

A review of any business enterprise will usually show that its true value depends to a greater degree on its earning power as a going concern than on the intrinsic value of its plant and other assets. That going value and its concomitant earning power depend on the importance and contribution of its executive and management personnel. Call it key-man insurance, then, or call it what you will, the important thing to remember is that sole proprietors are also key-men—only more so.

There is practically no end to the ramifications along this route: Employee death benefit, split-dollar, deferred compensation and plus or appreciation dollar, for example.

Employee Death Benefit

All *employee death benefit* is deductible by the firm on the "pay-out", with at least $5,000 of it completely tax-free to the family (the remainder a tax-free addition to surplus). Incidentally, in a corporation, employee stockholders can participate in this.

Split-Dollar

Split-dollar is essentially a "partnership" between employer and employee, with the employer paying the greater share of the yearly outlay as an interest-free loan of sorts. This enables the employee to buy more adequate amounts of insurance at a cost which is less than the cost of group insurance in many instances.

Deferred Compensation

Deferred compensation is a powerful tool in attracting and retaining high caliber personnel in this tax-conscious day.

Through such a program, today's diluted dollars are set aside in scientific sinking funds, where they are stored and concentrated in value.

Apropos this subject, the top man in your corporation is not barred from enjoying this too, just because he is the principal or even the sole owner, as a recent court decision brought out.

Plus or Appreciation Dollar

Instead of giving the employee a part of a dollar or a dollar with strings attached (as in the case of

(Continued on page 25)

Outside Capital--Sources and Reasons Firms Seek It

Added Security Is Available on Accounts Receivable Financing

BY THOMAS O. MC DAVID
Vice President
Commercial Credit Corporation
Baltimore, Maryland

BEFORE enumerating some reasons why companies seek and obtain outside capital from time to time, and before discussing sources of money, permit me to make these simple suggestions:

T. O. McDAVID

1. When borrowing money do not be misled by a quoted percentage of rate. Figure the cost in actual dollars, because you cannot put the percents in the bank.

2. Quoting from Alexander E. Duncan, 80-year-young founder-chairman of Commercial Credit: "The highest price any businessman ever pays for money is the price he pays for the lack of it—for lack of enough money to meet unusual situations or capitalize on opportunities when they arise . . . Don't just consider the cost of money—consider the cost of being without it."

3. (And this is very important): Always make it a point to assure any banker or lender that you want him to make a profit on your account. From a psychological standpoint you will have got yourself a really friendly banker.

15 Reasons for Getting Capital

Here are 15 reasons why some firms seek and get outside capital:

1. Take advantage of cash discounts.
2. Protect and improve credit rating.
3. Get price, delivery, service concessions by paying cash or discounting bills.
4. Increase volume by carrying more and larger credit accounts.
5. Grant longer terms when necessary for desirable business.
6. Purchase new, more efficient machinery and equipment to increase production, cut costs.
7. Help finance purchase of another company.
8. Take the place of an increase of capital or a partner.
9. Buy out partners or other stockholders.
10. Retire bonds, preferred stock, mortgages.
11. Pay taxes and other charges.
12. Save on freight by carload-lot buying.
13. Meet payrolls and carry inventory.
14. Reduce costs by spreading production in advance of peak seasonal demands.
15. Enter new fields or launch new products.

THOMAS O. MC DAVID, vice president, Commercial Credit Corporation, affiliate of Commercial Credit Company, Baltimore, joined Chemical Bank in New York after receiving his education at the University of the South and the old Eastman School of Business at Poughkeepsie, N. Y. While bank credit investigator and analyst he took night courses in credit at Columbia University and New York University.

Mr. McDavid in 1931 joined Commercial Credit Company of New York as assistant to the regional manager. Six years later he moved to the Baltimore headquarters as sales promotion manager, became director of press relations, and in 1951 was named head of the manufacturers relations department.

The accompanying article is from his address before the Automotive Industry meeting at the NACM Credit Congress in Detroit.

Now, let's discuss some sources of capital that are available to you.

Naturally, our first thought is of our friendly commercial bankers. Our company has owed them over $300,000,000 at one time in the past year, and we always owe them Amos and Andy amounts.

In case you haven't had occasion to call on your bankers lately (or in case your bankers haven't had occasion to call on you) a friendly, solicitous reception is assured you.

Always keep in mind that bankers, like everyone else in business, are influenced by the basic economic law of supply and demand.

At the time of the Credit Congress at Miami Beach a year ago, the demand for funds was close to an all-time high and money rates were at their highest point in 25 to 30 years. Not only was the money rate high but money was tight. Bank credit was just not available for some credit deserving people because some banks could not supply the full demand for loans.

That picture has changed considerably. Some banks which a year ago may have restricted your borrowing or talked you out of borrowing altogether, will welcome you with open arms today.

I spent several years in the credit department of a large New York City bank prior to joining Commercial Credit 27 years ago. Now I am associated with one of the biggest borrowers of bank money. About the only difference that I can see in bank relations today and 30 years ago is that we are dealing in a lot more naughts on the end of our figures.

The basic requirements of the bank borrower are essentially the same.

UNSECURED SHORT TERM LOANS

With the exception of certain term loan arrangements which some of the big city banks and insurance companies offer, most loans to business are made on an unsecured 90-day basis, regardless of how long you may really need the money.

Some borrowers subscribe to the theory that it is better not to discuss a renewal at the time the loan is made. This is not the case. A good loan officer makes it a point to know a great deal more about your business and your industry than you probably give him credit for.

Level with your banker about your plans for renewing the loan, with or without some curtailment,

and have some definite understanding with him. He will generally appreciate your problem.

I would give one new at borrowing this advice: Try to anticipate your maximum peak season needs so that an adequate line may be set in the beginning. Then, do your best to borrow only what you need. Today's break-even points do not permit the luxury of fat, unused cash deposits against which you are paying interest rather than collecting it. Capital must have energy and movement.

Banks generally require that the borrower maintain a bank balance of at least 20 per cent of his bank line when the line is in use and at least a 10 per cent balance when the line is not being used.

Bank Interest Charges

Even though the availability and price of bank money is more attractive now, I have been wondering why some financial statements I have recently seen show such large bank borrowings when the rest of the statement doesn't indicate that the firm needs the money.

Bank interest is cheaper than it was but it is still a very expensive item if you don't need the money. Some people don't seem to realize that the proceeds of the loan consist of 80% of the bank's money—less the discount charge—and 20% of their own money represented by their bank balance.

A rate of 6% per annum on a loan is actually 7½% on that part of it which the borrower is free to use. Now this 7½% is based on the interest being paid at maturity, but we know that this interest is usually deducted from the proceeds of the loan, so this so-called 6% loan is not just 7½% but actually comes to 8.11% per annum. If the rate is 5%, the actual cost is 6⅔%.

Now, let's say the money manager borrows $125,000 for 90 days and obtains the use of $100,000 (considering the 20% bank balance.) Chances are he draws it out periodically to make purchases, pay bills and meet other expenses. A short time before maturity date he starts building his bank balance up to pay off the loan.

Later, an analysis might show that the *average* amount of money he used

(*Continued on page 23*)

Coinsurance Can "Break" You If You Fail to Keep Coverage 80 Per Cent of Full Value

BY GEORGE A. STRADER
Beacon, New York

IF YOU CARRY fire insurance on business property anywhere in the United States, the chances are it contains a "coinsurance clause." This clause can break you, close your doors for once and all, if you do not exactly understand it or if you make a very common mistake in its interpretation. You can, although "fully insured," lose the right to collect the full amount of your loss after a fire.


G. A. STRADER

One of the large appraisal companies reported recently that a nationwide survey revealed that the *average* amount recovered after fire losses was only 52 cents on the dollar and that in many cases the amount recovered was as low as 14 cents on the dollar. Yet practically all of these policy-holders thought that they were fully insured.

It Can Happen Anywhere If—

Let me illustrate just why an eastern business that carried $25,000 insurance could recover only $10,420 after a $20,000 fire.

The owners were carrying a total of $25,000 coverage on fixtures, machines, and inventory at the time of their fire.* This amount had been ample when they bought the coverage in the mid-'40's.

But with the addition of new capital assets over the years, plus a greatly expanded inventory and, above all, skyrocketing inflationary values, their current insurable worth had imperceptibly crept up to $60,000. The owners were aware of this but, *not* aware of the now-threatening coinsurance clause in their policies, they felt they were still amply protected against any fire that might strike them.

They were aided and abetted in their complacency by a lackadaisical insurance agent who eagerly accepted their "renew-it-for-the-same" without thought of anything beyond his immediate commissions.

Then fire struck, and left a shambles of property values, currently worth $20,000. But the owners complacently breathed a sigh of relief; they had $25,000 coverage on the $20,000 loss—not too much more than the loss, they noted, but "*enough*"!

They recovered $10,420.

The balance of the loss, $9,580, they paid themselves, because they had made themselves coinsurers with the insurance company, under the terms of the coinsurance clause in their policies.

The owners hit the ceiling; screamed to high heaven about "fine print" clauses; raised the roof with unkind references to "sharpshooters," "hi-jackers," and "shell-game operators." And then quieted down to hear the facts about *themselves* from the adjusters.

Foremost among the facts was this: the settlement of $10,420 was not only a full and legal one, it was a thoroughly fair one also.

The coinsurance clause in their policies—a clause which is in no finer print than any other part of the policy—stipulated that they were required, at all times, to carry insurance to the full extent of 80 per cent of the full current value of their property; and, in the event of their failure to do so, their right to recovery was limited to only that proportion of their loss which the face amount of their policies bore to 80% of their full current worth.

Let's figure that out together:

Their full *current* worth was $60,000.

They were required to carry $48,000 coverage on that current worth, as stipulated by the 80 per cent coinsurance clause in their policies.

They were carrying only $25,000. The $25,000 that they carried was only 52.1 per cent of the $48,000 that they were required to carry.

Therefore, they could recover only 52.1 percent of their loss.

Their loss was $20,000.

Their recovery, at 52.1 per cent could be only $10,420.

It was a full, fair, and legal settlement because the owners had exposed $60,000 worth of property to loss, but were paying insurance premiums on only $25,000 worth of it. The insurance carriers won't accept such a one-sided gamble; they protect themselves by making the policyholder a coinsurer with them, via that coinsurance clause which provides for only proportional recoveries.

But the carriers also intended coinsurance to serve a purpose beneficial to policyholders; that is, to give them what amounts to a 20 per cent premium discount for full coverage against any *average* fire. The companies are well aware that there are few fires that cause more than 80 per cent destruction; they are therefore willing to provide full 100 per cent protection at current valuations and up to the face value of the policy, for only 80 per cent of the premium required to insure the property in toto.

It is important to note the phrase "*full 100% protection at current valuations.*" There is a widely held misconception that "the insur-

(Concluded on page 33)

GEORGE A. STRADER ***has been closely identified with financial-insurance interests of lower Manhattan, New York, throughout his business career.***

Starting with the old New York Stock Exchange firm of E. C. Benedict & Company in 1908, he has since been associated with Story & Company, investment bankers; the Aetna Insurance Companies; Travelers Insurance Company, and for many years before his recent retirement he was with the Manufacturers Trust Company.

Mr. Strader has authored a number of published articles on investment and insurance topics.

***The legal and insurance principle would have been the same had they owned their own building; but their proportionate loss would have been greater.**

T. O. McDAVID

(*Continued from page 21*)

on a daily basis was considerably less than the original loan. If so, the cost of money is much higher than even the percentages mentioned.

Periodic Clean-Up

It is standard bank practice to require an unsecured short-term loan to be cleaned up entirely for awhile each year. This assures liquidity to the bank and its depositors but sometimes creates an inconvenience to the borrower, whose business is going strong but whose cash is going weak.

LOANS AGAINST ACCOUNTS RECEIVABLE

Many business firms need more capital at times than they can borrow from the banks on an unsecured basis or expect to get from current collections because of their selling terms.

In such cases, banks and other institutions frequently advance funds against their accounts receivable, the amount of such advance being determined by the amount and quality of the receivables.

Frequently the debtor represents a larger net worth than the creditor, and the banks regard an assigned receivable from a strong concern as excellent security. In other cases, where a wide variety of concerns with varying net worth are being sold, they are inclined to be more restrictive in the amount of credit extended.

Form of Added Security

This prompts me to mention a form of added security that the borrower can offer the lending institution on accounts receivable financing covering all sizes and types of creditors. I refer to credit insurance.

Where a manufacturer or wholesaler has a credit insurance policy covering his accounts receivable, he has the guaranty on the value of these receivables regardless of how the debtor behaves. The manufacturer or wholesaler may insure all of his accounts or a portion of them. He agrees to take a small initial loss up to a stated amount and the credit insurance company insures the amount of loss in excess of the stated figure.

Credit insurance is a credit tool for the policy-holder's credit department because it provides a service department for handling collections on a nationwide basis. Then, if the debtor doesn't eventually pay, the credit insurance people do.

Since the credit insurance company indorses the customer's obligation for banking or financing purposes, bank loan offices frequently suggest this type of insurance to their customers, whether they borrow on their receivables or not.

Only two companies offer credit insurance coverage and it is a pure coincidence that one of them, the 65-year-old American Credit Indemnity Company of New York, is a subsidiary of Commercial Credit Company.

ACCOUNTS RECEIVABLE FINANCING

We discussed loans secured by the pledge of receivables to the lender. I would now like to discuss accounts receivable financing whereby a financing institution purchases its customer's open accounts on a continuing arrangement on what is known as a "non-notification plan."

Commercial Credit Company was founded in 1912 by Mr. Duncan to handle this type of business. In 46 years this division has provided billions of dollars to manufacturers and wholesalers.

Under this arrangement, the business firm continues to pass its own credits, ships merchandise on its usual terms and handles its own collections. As shipments are made, they assign the invoices they want financed to us and immediately get our check.

The debtor never knows that the invoice has been assigned and continues to make payments to the seller. The funds we advance are automatically repaid by the purchaser.

The charges for this type of financing are figured on an average daily balance basis and are based on the net amount of money outstanding. Therefore, the customer pays only on the exact money in use from day to day—and no more. For that reason, the dollar amount cost is frequently less than a short-term or long-term loan.

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Fire Waste Termed "National Disgrace"; New Dwelling Designs Add to Hazards

ROCKETS, rackets and reactors present dramatic new fire hazard problems, not more serious, however, than modern architectural designs such as small highly placed windows, through which no one can escape, and the danger from foam rubber articles that spontaneously ignite when placed in electric driers, says Percy Bugbee.


PERCY BUGBEE

Terming fire waste "a national disgrace," the general manager of the National Fire Protection Association, Boston, in a talk in Memphis provided much food for thought affecting individual, industry and community safety from fire.

Fires last year caused 11,300 deaths, over $1 billion in property loss, according to estimates of the association, Mr. Bugbee said. These figures represent an increase in both categories over the previous year. Of an estimated 2 million fires a year, 60 per cent of those involving buildings were of residential occupancy, NFPA studies show. Three principal causes of a majority of the fires are: defective or over-heated heating and cooking equipment; careless handling of matches and cigarets, and misuse of electrical equipment.

The Largest Problem

"Loss of life in fires in ordinary one and two-family dwellings is by far the largest and most difficult problem that we face," the NFPA director told the fire department instructors' conference. Regular dwelling inspections, now a practice in many communities, should be extended to all, he said. Unapproved and ineffective home fire alarm and extinguishing devices, many of them "downright frauds," should be stamped out, Mr. Bugbee counseled.

Among modern dwelling designs that increase life hazard, he said, are "omitting doors, low partitions, small windows high up in bedrooms, and the use of various types of plastics as component parts of dwelling construction without too much information on their fire hazard characteristics." These new and special dwelling hazards, he noted, have been pointed out in the NFPA *Quarterly*.

Electronics application to fire fighting research may be imminent. Mr. Bugbee noted that a proposal to feed into one of the mechanical memory machines data on fire fighting procedures at large fires is being developed by experts at Harvard and Massachusetts Institute of Technology. Combustion scientists are becoming interested in the study and control of large fires, he said, and laboratory-produced fire effects simulating large-scale conflagrations are under consideration by the fire research committee of the National Academy of Sciences.

A book to provide the fire service with needed information about respiratory hazards and devices, a report on recommended safe practice for nuclear reactors by the association's committee on atomic energy, control of rocket experimentation by high school boys and other amateurs, and standards for fire hose were some of the current projects of NFPA.

Terming "totally unrealistic and unworkable" many of the civil defense programs, he commented, "If you want to kill off large segments of our population quickly in the event of a fire storm developing from atomic attack," then you would move the people underground. "Fire departments are the logical emergency service around which a sound local civil defense effort should be built."

Figures indicate that "fire department manpower in the United States on the average is at least 50 per cent deficient," Mr. Bugbee said, quoting from articles in *Fireman* magazine. He pointed out that the NFPA has set up a committee on fire department organization to consider some of the problems of fire department administration.

NATIONAL FIRE PREVENTION WEEK

October 5-11

Throughout the United States and Canada the period October 5th-11th has been designated to spotlight the causes of fire and to bring home the need for preventive measures. Last year 11,-300 persons lost their lives in fires.

Fire losses in this country in 1957 totaled $1,023,190,000, the first time this statistic went over the $1 billion mark. This represents an increase of 3 per cent over 1956 and 43 per cent over 1948.

One favorable note, comments the National Board of Fire Underwriters in its bulletin "Fire Insurance Facts and Trends": "These facts indicate the effectiveness of fire prevention during this period when the national wealth in terms of reproducible tangible assets subject to possible loss by fire (structures, equipment, inventories) has increased more than 200 per cent."

The number of building fires decreased in 1957 as compared with 1956: 400,858 against 408,952. For 1948 the total was 388,935.

"Mistakes occur when a man is over-worked, or over-confident."
—William Feather

G. C. WHITE

(Continued from page 19)

split-dollar or deferred compensation plans, respectively)—or instead of losing a current tax deduction as in an employee death benefit—why not give him the *whole dollar in kind* by paying for a premium on some new life insurance he could well use, with all ownership vested in the employee?

This is what we mean: *a plus benefit* for the plus man.

For example: If the premium paid by the boss comes to $500 annually, then the key-man will have to pay tax on the premium as with any other current compensation, and if he is in the 25 per cent tax bracket, the cost to the employee would be only $125. Remember, too, he is not throwing that money out, for he's acquired the full cash value of the policy, which will always inure to his benefit, living or dead.

TRANSFER AND LIQUIDATION

Transfer and liquidation are complementary functions. True, every transfer connotes a liquidation of all or part of a business transfer. However, a particular and sadly neglected area of business insurance calls only for the orderly and economical dissolution of an enterprise.

The most obvious example of the latter, perhaps, is the sole proprietorship, where indemnification already plays such a conspicuous part.

The germ of the problem, whether dealing with a corporation's stock purchase or stock retirement plan, a partnership's criss-cross or entity plan, or a sole proprietor's buy-out plan, is this alone: The survivor is offered continuity and a free hand to underwrite his own future success. The heirs of the deceased are guaranteed a fair and assured market for his investment.

Though the lure of other expedients might be attractive—might work—only one thing *surely* will work: A fixed obligation on the part of the deceased's estate to sell—and on the survivor's part to buy—the interest in question.

When it comes to the prospective buyer in a sole proprietorship, then what? Well, here again we have a version of the key-man problem, because what could better knit an employee to his employer and who is better equipped to take over the reins?

As for partial liquidation, particularly in situations involving estate taxes and a corporate interest, here is a rare opportunity to take tax-free dollars out of a business.

CREDIT AND CONSERVATION

Few businessmen are so unenlightened that they do not recognize the necessity of systematically setting aside monies in safe and liquid, sinking or emergency funds. All businessmen need and do use credit to further both their operation and expansion. Why, then, should they ignore one of the finest assets obtainable? Why not use a sinking fund with an unmatched record of performance in good times and bad, and why not make certain they will always have the finest security to collateralize a loan at all times. In short, why not buy permanent life insurance? Life insurance is all of these things in some degree.

Lower After-Tax Costs

This is not an argument against term insurance, when justified, because I would sooner see a firm own adequate amounts of term than a totally inadequate amount of other coverage. But I do not agree with those who, in seeking the easy way out, take refuge in a so-called "cheap" rate (particularly true when, by use of borrowed funds in so-called minimum deposit or financed plans, effectively lower after-tax costs can be obtained through otherwise permanent insurance).

We should remember that death is not the only time a business can use more capital, and we must not forget that only permanent life insurance provides for both the living and dying. (For many a firm the question of an unreasonable accumulation of surplus never arises by use of "locked-in" equities in permanent life insurance contracts owned by the firm; and, death can improve the surplus for these firms on a completely tax-free basis.)

As to conservation: One of the severest financial blows that can befall an enterprise is the untimely forced conversion of assets into money to meet demands for pay-

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Modernizing the Office

New Equipment to Speed Production and Reduce Costs

Budget-Mindful Computer

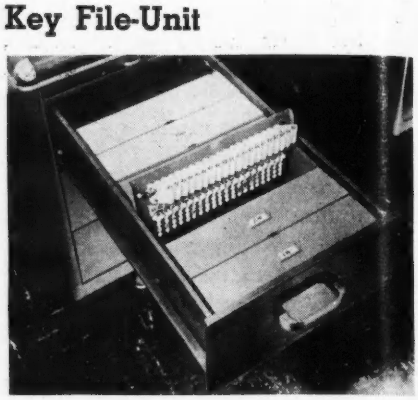
516 Practical for frequent and repetitive computational problems such as payroll, check preparation, tax billing, loan scheduling, Series F2000 Computer is newest entry in the electronic computer field of BURROUGHS CORPORATION, which makes the giant 205 and 220 and desk-size Series E computers. Exclusive mechanical plugboard program selector provides greater simplicity and programming flexibility than that of much more expensive computers, says manufacturer who stresses low original and maintenance costs. Four or more routines may be programmed on each interchangeable plugboard, and each program directs computer through all of its automatic operations. Full adding-machine type keyboard is used for input.

To Clip Carton Tops

517 Eliminating gummed tape, glue, wire stitching, the CLIP-TOP PACKER Model M (Manual) seals filled containers from the outside with king-size clips, at an average cost per shipping case of less than 1/3 of 1 cent, according to manufacturer, Container Stapling Corporation. Device also sets up empty cartons ready to be filled. Leg length of clips: 1/2", 5/8", 3/4". Adjustable anvil automatically controls staple clips for A, B, or C flute. Model C-F treadle-type unit clips boxes by mechanical (toggle system) action.

This Department will welcome opportunities to serve you by contacting manufacturers or wholesalers for further information regarding products described herein. Please address MODERNIZING, Credit & Financial Management, 229 Fourth Ave., New York 3.

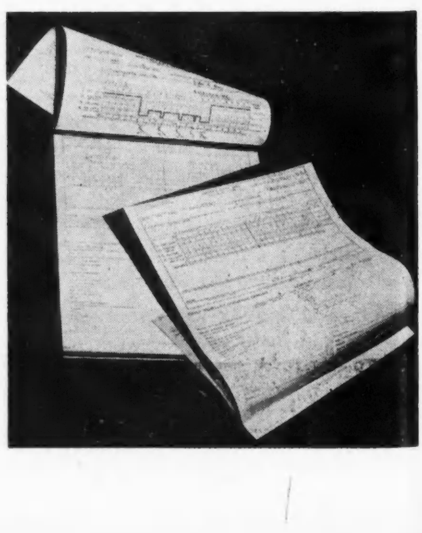
Key File-Unit



518 Compact welded steel KEY-DRAWER fits in desk drawer or file cabinet, is readily portable with handle attached. One of several units of Ke-master Key Control system of Cushman & Denison Manufacturing Company, Key-Drawer is available in sizes to hold 40, 80 or 120 keys. Other units of system: key racks, boards and wallmounted cabinets, are for capacities from 10 to more than 800 keys.

Vehicle & Driver's Log

519 TEX-N-SET Combination Drivers' Log and Daily Vehicle Condition Report saves driver's time and provides easy-to-read copy for office files, with extra copy for maintenance department. Form meets ICC vehicle condition report requirements, says manufacturer, Tex-N-Set Manifold Company. Thirty-one set combination units in convenient snap-apart form are bound in each book with "one-time" carbons already in place.



G. C. WHITE

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ments. More seriously, in such events, facilities and funds available for operation and development become drastically limited, aggravating the material damage to the going value of the enterprise.

Many an estate and many a business have been saved from going on the block at forced "distress sale" prices because someone gave prudent and timely thought to them.

Everyone enjoys a 20/20 hindsight but astute and responsible businessmen should realize that death isn't always opportune (the life isn't a pooltable on which shots can be called), that they may die when either or both business and estate are strapped for cash. Through the only known investment which will pay off in the dollars needed—not in notes or machinery, inventory or real estate, but in fixed hard cash—insurance will provide the dollars at the instant of need.

This is conservation of the highest order, and if time enables a business and estate to weather the storm until new hands become more experienced at the helm, then you have continuity as well.

Life insurance can be purchased with either or both credit stabilization and conservation in mind. However, even if the objectives are other than these, life insurance—and particularly the permanent variety, will still provide these two *plus benefits* at no extra costs.

THE TAX FUNCTION

The last of the functions is generally (and with considerable merit) the first thing brought up. Taxation is the door-opener and at the same time the catalyst which moves clients to action.

Now a well-conceived buy-and-sell agreement may help considerably in saving estate taxes. So will some dispositions of a corporate transfer, and a myriad of other plans will save on income taxes to boot. But unless there are good and important considerations which justify action, and unless these considerations are valid enough to deserve attention in their own right without regard to taxes, it would probably be better to forget the whole thing.

The tax angle is always a tricky one, subject to change due to both the law and the individual or firm's position. If the only basis for a sale is the tax gimmick, what can we do if any of the other factors just mentioned should change?

By all means give thought to taxes, but let the tax benefit be the plus-factor in your reckoning. Then there is nothing to worry about regardless of any adverse change in circumstances, because what was originally wrought was conceived on a foundation of permanent advantages.

Why business life insurance?

Admittedly, this bird's eye view is one man's opinion. If I haven't taxed anyone's patience so far, let me throw caution to the winds by sermonizing: In order to keep up with the demands made on us today, we have to broaden our knowledge of many areas outside our business proper, acquiring a nodding acquaintance with such matters as accounting, laws and trusts, insurance. The modern, well-rounded management man must have depth. There is a hazard in this, however: no one of us is so authoritative in professional fields outside our daily work that it pays us to be dilettantes.

Let me summarize what I believe is the essence of business life insurance and its relationship to business objectives:

(1) Men, not machines, make profits.

(2) Business life insurance is not a hallowed mystery. Business life insurance is hedging, is credit, is indemnification, loss prevention, a sinking fund, depreciation, debt retirement, and a tax shelter.

(3) Business life insurance is not a label, not a special policy, not the particular possession of any one company. Business life insurance is not a proprietary drug, available at the local retail level. Business life insurance is a prescription, compounded to cure the individual financial problem of the firm.

(4) If other insurance costs are budgeted in contemplating a new project, why not budget business life insurance? Business life insurance is not an additional business expense. Business life insurance is part of the price of opening, conducting, and preserving business.

All States Require Proof of Motor Vehicle Owners' Financial Security

ALL 48 states, the District of Columbia and Hawaii now have Motor Vehicle Financial Responsibility and Related Laws which require the filing, or proof, of financial security by all persons subject to the law, as shown by the charts on the following pages.

The copyrighted charts were compiled by the legal department of the Association of Casualty and Surety Companies.

Kansas, Massachusetts and South Dakota recently enacted such financial responsibility legislation. Georgia, Indiana, Iowa, Pennsylvania and California have legislated increases in the limits of liability under their respective laws. The increase in California becomes effective in July 1959; the others went into effect in January 1958.

North Carolina enacted legislation effecting compulsory automobile insurance Jan. 1, 1958. This law is applicable to all motor vehicles registered in the State. Proof of financial responsibility, 5/10/5, must be filed for every vehicle registered, and any motor vehicle owner in the State failing to furnish such proof of financial responsibility may be fined up to $50, or imprisoned for 30 days. The law also requires merit rating.

The revised charts show interesting changes in application of the financial responsibility laws to property damage. In New York and Georgia all accidents resulting in a minimum of $100 property damage, in lieu of the previous amount of $50, are automatically subjected to the requirements of these States' financial responsibility laws.

Oregon, however, now requires that all accidents involving a minimum of $50 property damage, in lieu of the previous $100 minimum, automatically subject the involved parties to the State's financial responsibility law.

The Kansas law, which previously did not specify any minimum property damage amount, now stipulates that all accidents involving at least

(*Concluded on page 30*)

Notes to Chart I Appearing on Opposite Page

†—Effective January 1, 1958.

‡—10/20/5 after 7/1/59.

a—Application of minor for driving license to be accompanied by proof, same to be maintained until minor reaches 21.

b—Vehicles owned by minors cannot be registered unless proof filed; minors under 18 may operate only insured vehicles.

c—Minors owning motor vehicles must furnish proof before registration.

d—Requirement of proof discretionary.

e—Appeal to court automatically stays suspension, and court may exempt motorist not at fault.

f—Where property damage is less than $300, security not required in behalf of non-resident except on request.

g—Proof not required if claims settled or security filed BEFORE suspension.

h—Commissioner may stay suspension for not exceeding four months in case of hardship or doubt as to liability.

i—Person whose proof furnished by employer.

j—Security required only if operator is convicted as a result of accident.

k—In case of undue hardship Commissioner may dispense with release.

l—Minimum security $500.

m—Motorist completes and returns SR-21 form mailed by F. R. Division.

n—Registration of owner not suspended where under law owner is not legally liable.

o—Applicable to personal injury only if serious enough to require medical attention.

p—Car stopped at stop sign or light, or where other person convicted.

q—Inapplicable to person who was unable to procure insurance because of race or color.

r—Person who has received payment for his damages.

s—Operator employed by owner.

t—In hardship cases court may modify extent of compliance with security requirement, and in that event proof is required.

u—If insurer of any operator settles, all operators deemed released.

v—Owner subject to law if employer of driver. In that event registration of employer suspended.

w—Privilege to drive as chauffeur in course of employment not suspended.

x—Discretionary as to owner.

y—When license restored after lapse of 1 year without suit, proof must be given for 3 years.

z—Non-owner subject to requirements may operate vehicle when owner has furnished proof.

aa—Applicable only to accidents on streets and highways.

bb—Owner exempt if vehicle operated by bailee for hire or by person not his agent, employee or member of his family. Driver exempt if employer's vehicle was operated.

cc—Court has discretion to restore license where needed for occupation.

dd—Registrar shall not require security for benefit of person who fails, after notice, to give information as to extent of injury or damages.

ee—In action against nonresident, plaintiff may move for security.

ff—Commissioner may issue limited license or registration when necessary for occupation or livelihood.

gg—Law affects driving licenses only, not registrations.

hh—All policies must include uninsured motorist coverage.

ii—Period proof required not specified in law.

jj—Car stopped at traffic signal.

kk—As respects permission, insurer may correct report only by filing affidavit within 30 days after receipt.

U.J.—Unsatisfied judgment fund. (Effective in Maryland June 1, 1959).

Imp.—Where owner or operator of motor vehicle involved in accident fails to establish exemption from security requirements or to deposit security, vehicle must be stored until owner or operator complies with financial responsibility law. Judgment creditor may levy execution against vehicle. Prior liens not affected.

Compulsory Laws

Massachusetts. Applicable to all owners of motor vehicles registered in the state and to owners of motor vehicles operated in the state for more than 30 days in any year; coverage prescribed by statute; territory: highways of Massachusetts only; guest coverage excluded; all policies coterminous with registration; owner must file certificate of insurance; 20 days' notice of cancellation, with reasons, required—to other party and Registrar; notice of intent not to renew to be given by insurer before November 16; cancellation or refusal to renew reviewable by Board of Appeal; operation without required proof punishable by fine of $100 to $500 or imprisonment for one year; rates made by Insurance Commissioner.

New York. Applicable to all owners of motor vehicles registered in the state, and to all owners and operators of motor vehicles used in the state, resident or non-resident; coverage prescribed by regulation; territory: U.S. and Canada; policy need not be coterminous with registration; owner must file certificate of insurance, but after first year, upon renewal of registration, statement by applicant that proof is in effect is acceptable; 10 days' notice to named insured required upon cancellation or failure to renew by insurer; upon termination by cancellation or failure to renew, notice shall be filed by insurer with Commissioner within 30 days after effective date; detailed penalty provisions relating to operation without proof in effect, applicable to motor vehicles registered in New York or elsewhere; violation results in revocation and is punishable as misdemeanor by fine of $100 to $1000 and/or imprisonment for one year; rates made by insurers, subject to prior approval of Superintendent.

North Carolina. Applicable to all owners of motor vehicles registered in the state; coverage: proof of financial responsibility as defined in financial responsibility law; territory: U.S. and Canada; policy need not be coterminous with registration; owner must file certificate of insurance; 15 days' notice to named insured required upon cancellation or failure to renew by insurer; upon termination by cancellation or failure to renew, notice shall be mailed by insurer to Commissioner within 15 days after effective date; owner of motor vehicle registered in state who operates or permits operation without financial responsibility in effect guilty of misdemeanor punishable by fine of $10 to $50 or imprisonment for 30 days; rates made by company-operated bureau created by law; requires merit rating.

CHART I — FINANCIAL RESPONSIBILITY AND RELATED LAWS — GENERAL ANALYSIS

State	Liability limits	Compulsory insurance?	FINANCIAL RESPONSIBILITY LAWS — Scope (P—Proof; S—Security; Sat.—Satisfaction. Figures indicate number of years proof required): Accidents	Convictions	Judgments	ACCIDENTS: Minimum property damage	Requires security (S), proof (P); from driver (D), owner (O)	Regardless of fault?	Applicable by reciprocity to accidents in other states?	INSURANCE IN EFFECT: Information required in accident report?	Notice or verification required from insurer? (* - Only if policy not in effect)	OTHER EXEMPTIONS 1. Parked car; 2. Car stopped, standing or parked; 3. Certain motor carriers; 4. Certain publicly owned vehicles.	Unusual provisions	Supplementary laws
Alabama	5/10/1		S	P - 3	Sat. & P - 3	$50	S - D & O	Yes	Yes	Yes	Verif.	1,3,4		
Arizona	5/10/1		S	P - 3	Sat. & P - 3	$100	S - D & O	Yes	Yes	Yes	Verif.*	2,3,4(r) (s)		
Arkansas	5/10/1		S	P - 3	Sat. & P - 3	$100	S - D & O	Yes	Yes	Yes	Notice	1,3,4		
California	5/10/1‡		S (y)	P - 3	Sat. & P - 3	$100	S - D & O (y)	Yes	Yes	Yes	Verif.*	1,4(r)	(aa)	Imp.
Colorado	5/10/1		S	P - 3	Sat. & P - 3	$50	S - D & O	Yes	No	Yes	Verif.*	4		
Connecticut	20/20/1	(b)	S	P - 3	Sat.	$100	S - D & O	Yes	Yes	Yes	Verif.*	1,3,4(p)		
Delaware	10/20/5		S	P - 3	Sat. & P - 3	$100	S - D & O	Yes	No	No	Notice	2,3,4	(ff)	
Dist. of Col.	10/20/5		S	P - 3	Sat. & P - 3	$100	S - D & O	Yes	Yes	Yes	Verif.*	1,3,4		
Florida	10/20/5		S & P - 3	P - 3	Sat. & P - 3	$50	S & P - D & O	Yes	Yes	No(m)	Verif.*	1,4		
Georgia	10/20/1		S	P - 3	Sat.	$100	S - D & O	No	Yes	No	Notice	1,3,4		
Hawaii	5/10/1		S	P - 3	Sat. & P - 3	$100	S - D & O	Yes	No	No	Notice	1,3,4	(gg)	
Idaho	5/10/1		S (y)	P - 3	Sat. & P - 3	$50	S - D & O (y)	Yes	Yes	Yes	No	1,4		
Illinois	10/20/5		S	P - 3	Sat. & P - 3	$100	S - D & O	Yes	No	Yes	Verif.*	2,3,4		
Indiana	10/20/5†		S & P - 1 (d)	P - 3	Sat. & P - 3	$50	S & P - D & O (x)	Yes	No	Yes	No	3		
Iowa	10/20/5		S	P - 3	Sat. & P - 3	$50	S - D & O	Yes	No	Yes	Verif.*	2,3,4		
Kansas†	5/10/1		S	P - 2	Sat. & P - 2	$100	S - D & O	Yes	No	Yes	Verif.*	1,3,4		
Kentucky	5/10/1		S	P - 3	Sat. & P - 3	$100	S - D & O	Yes	No	Yes	Verif.*	1,4		
Louisiana	5/10/1		S	P - 3	Sat. & P - 3	$100	S - D & O (n)	Yes	Yes	Yes	Verif.*	1,3,4		
Maine	10/20/5		S & P - 3	P - 3	Sat. & P - 3	$100	S & P - D & O	No	No	Yes	Verif.*	3,4		
Maryland	10/20/5	(a)	S & P (ii)	P (ii)	Sat. & P (ii)	$75	S & P - D & O	Yes	Yes	Yes	Verif.*	1(r)		U. J.
Massachusetts	5/10	Yes	(ee)		Sat. (P. D.)		(ee)							
Michigan	10/20/5		S & P (g)	P - 3	Sat. & P - 3	$100	S & P - D & O (g)	Yes	No	Yes	No	1,4(jj)	(cc)	
Minnesota	10/20/2		S	P - 5	Sat. & P - 5	$100	S - D & O	No	Yes	Yes	Verif.*	2,4(r)	(gg)	
Mississippi	5/10/5		S	P - 3	Sat. & P - 3	$50	S - D & O	No	Yes	Yes	Verif.*	1,4		
Missouri	5/10/2		S	P - 3	Sat. & P - 3	$100	S - D & O	Yes	Yes	Yes	Verif.*	1,3,4		
Montana	5/10/1		S	P - 3	Sat. & P - 3	$100	S - D & O	Yes	Yes	Yes	No	1,3,4		
Nebraska	5/10/1		S	P - 3	Sat. & P - 3	$100	S - D & O	Yes	No	No	Notice	1,4		
Nevada	5/10/1		S (y)	P - 3	Sat. & P - 3	$100	S - D & O (y)	Yes	Yes	Yes	Verif.	1,4		
New Hamp.	10/20/5		S & P - 7 (l)	P - 7	Sat. & P - 7	$50	S & P - D & O	No	Yes	Yes	Verif.*	4	(l) (hh)	
New Jersey	5/10/1		S	P - 3	Sat. & P - 3	$100	S - D & O	Yes	Yes	Yes	Verif.*	1,3,4(s)	(z)	U. J.
New Mexico	5/10/1		S	P - 3	Sat. & P - 3	$100	S - D & O	Yes	Yes	Yes	Verif.*	1,4		
New York	10/20/5	Yes	S		Sat.	$100	S - D & O	Yes	Yes	Yes	No	3,4	(gg)	
North Carolina	5/10/5	Yes†	S (e)	P - 2	Sat. & P - 2	$100	S - D & O	No (e)	Yes	Yes	Verif.*	1,3,4(r)	(gg)(j)	
North Dakota	5/10/1		S	P - 5	Sat. & P - 5	$100	S - D	Yes	No	No	Notice	2,4	(gg) (h)	U. J.
Ohio	5/10/5		S	P - 3	Sat. & P - 3	$100	S - D & O	Yes	No	Yes	Verif.*	1,4	(dd)	
Oklahoma	5/10/1		S (t)	P - 3	Sat. & P - 3	$100	S - D & O (t)	Yes	Yes	Yes	Verif.*	1,3,4		
Oregon	5/10/2		S & P - 5	P - 5	Sat. & P - 5	$50	S & P - D & O	Yes	Yes	Yes	Verif.*	1,3,4(r) (bb)		
Pennsylvania	10/20/5†		S	P - 3	Sat. & P - 3	$100	S - D & O	Yes	Yes	Yes	Verif.	1,4		
Rhode Island	5/10/1	(c)	S	P - 1	Sat. & P - 1	$100	S - D & O	Yes	Yes	Yes	Verif.*	2,3,4		
South Carolina	5/10/1		S	P - 3	Sat. & P - 3	$50	S - D & O	Yes	No	Yes	No	1,3,4		
South Dakota	10/20/5		S	P - 3	Sat. & P - 3	$100	S - D & O	Yes	Yes	Yes	Verif.*	1,3,4		
Tennessee	5/10/1		S		Sat.	$50	S - D & O	Yes	Yes	No	Notice	1,3,4		
Texas	5/10/5		S	P - 3	Sat. & P - 3	$100	S - D & O	Yes	Yes	Yes	Verif.*	1,3,4		
Utah	5/10/1		S		Sat. & P - 3	$100	S - D (v)	Yes	Yes	Yes	No	1,4(r)		
Vermont	10/20/2		S & P - 3 (j)	P - 3	Sat. & P - 3	$35	S & P - D	No (j)	No	No	Verif.*	1	(gg) (j)	
Virginia	10/20/1		S	P - 5	Sat. & P (ii)	$50 (f)	S - D	No	No	No	Notice	1,3,4(i)	(f)	
Washington	5/10/1		S (o)	P - 3	Sat. & P - 3	$200	S - D or O	Yes	No	Yes	Verif.*	1(q)	(gg)	
West Virginia	5/10/1		S	P - 3	Sat. & P - 3	$100	S - D & O	Yes	No	Yes	Verif.*	1,4	(aa)	
Wisconsin	10/20/5		S	P - 3	Sat. & P - 3	$100	S - D & O	Yes	Yes	Yes	Verif.*(kk)	1,3,4		
Wyoming	5/10/1		S	P - 3	Sat. & P - 3	$50	S - D & O	Yes	No	No	Notice	1,4		

CHART II
FINANCIAL RESPONSIBILITY AND RELATED LAWS — SUPPLEMENTARY ANALYSIS

State	JUDGMENTS		POLICY CERTIFIED AS PROOF				ASSIGNED RISKS
	Minimum property damage	Applicable to judgments of other states (S) and Canadian provinces (P)	Notice of termination (cancellation (C); expiration (E)) How many days?	Filing by nonresident of certificate of unadmitted insurer: Certificate acceptable	Filing by nonresident of certificate of unadmitted insurer: Subject to compliance by insurer with certain conditions	Provision for absolute liability	Participation in plan required by law
Alabama	No min.	S & P	C,E — 10	Yes	Yes	Yes	Yes
Arizona	No min.	S & P	C,E — 10	Yes	Yes	Yes	Yes
Arkansas	No min.	S & P	C,E — 10	Yes	Yes	Yes	Yes
California	$100	S	C — 10	No		No	Yes
Colorado	$100	S & P	C — 10	Yes	Yes	Yes	Yes
Connecticut	No min.	S & P	C,E — 10	No		No	Yes
Delaware	No min.	S & P	(3)	Yes	Yes	Yes	Yes
D. C.	No min.	S & P	C,E — 10	Yes	Yes	Yes	No
Florida	No min.	S	C — 10	Yes	Yes	No	Yes
Georgia	No min.	Not spec.	C — 20(4)	No		No	Yes
Hawaii	No min.	S & P	C,E — 10	Yes	Yes	Yes	Yes
Idaho	No min.	S & P	C,E — 10	Yes	Yes	No	Yes
Illinois	No min.	S & P	C — 10	Yes	Yes	Yes	Yes
Indiana	$50	S & P	C — 10	Yes	Yes	Yes	No
Iowa	No min.	S & P	C,E — 10	Yes	Yes	Yes	No
Kansas	No min.	S & P	C,E — 10	Yes	Yes	Yes	Yes
Kentucky	No min.	S & P	C,E — 10	Yes	Yes	Yes	No
Louisiana	No min.	S & P	C,E — 10	Yes	Yes	Yes	Yes
Maine	$100	Not spec.	C — 10(5)	No		Yes	No
Maryland	$25	S & P	C — 30	Yes	Yes	Yes	No
Massachusetts	No min.	No	C — 20	No		Yes(7)	Yes
Michigan	No min.	S & P	C,E — 10	Yes	Yes	Yes	No
Minnesota	No min.	S	C,E — 10	Yes	Yes	Yes	No
Mississippi	No min.	S & P	C,E — 5	Yes	Yes	Yes	Yes
Missouri	No min.	S & P	C,E — 10	Yes	Yes	Yes	Yes
Montana	No min.	S & P	C,E — 10	Yes	Yes	Yes	Yes
Nebraska	No min.	S & P	C,E — 10	Yes	Yes	Yes	No
Nevada	No min.	S & P	C,E — 10	Yes	Yes	Yes	No
New Hampshire	$50	Not spec.	C — 10	No		Yes(6)	No
New Jersey	$100	S & P	C — 10	Yes	Yes	Yes	No
New Mexico	No min.	S & P	C,E — 10	Yes	Yes	Yes	Yes
New York	$100	S & P	C,E — 10	Yes	Yes	No	Yes
North Carolina	No min.	S & P	C,E — 20	Yes	Yes	Yes	Yes
North Dakota	No min.	S	C,E — 10	Yes	Yes	Yes	No
Ohio	No min.	S & P	C,E — 10	Yes	Yes	Yes	Yes
Oklahoma	No min.	S & P	C,E — 10	Yes	Yes	Yes	Yes
Oregon	No min.	S	C — 10	Yes	Yes	Yes	No
Pennsylvania	$5.33	S & P	C,E — 10	Yes	Yes	Yes	No
Rhode Island	No min.	S & P	C,E — 10	Yes	Yes	Yes	Yes
South Carolina	No min.	S	C,E — 10	Yes	Yes	Yes	Yes
South Dakota	No min.	S & P	C,E — 10	Yes	Yes	Yes	Yes
Tennessee	No min.	S & P	(2)	(2)	(2)	(2)	Yes
Texas	No min.	S & P	C,E — 5	Yes	Yes	Yes	Yes
Utah	No min.	S & P	C,E — 10	Yes	Yes	Yes	Yes
Vermont	No min.	No	C — 10	No		Yes	No
Virginia	$50	S & P	C,E — 20	Yes(1)	Yes(1)	Yes	Yes
Washington	$100	S & P	C — 10	Yes	Yes	Yes	No
West Virginia	No min.	S & P	C,E — 10	Yes	Yes	Yes	No
Wisconsin	$100	S	C,E — 10	Yes	Yes	Yes	Yes
Wyoming	No min.	S & P	C,E — 10	Yes	Yes	Yes	No

1—Insurer must deposit security for each policy.
2—Proof not required.
3—Refund of unearned premium required. 30 days' notice required on assigned risks; no provision as to others.
4—Insurer's right to cancel restricted.
5—If certificate specifies expiration date, notice of expiration not required.
6—All policies issued in state must meet requirements of act and must include uninsured motorist coverage.
7—Policy need not cover guest liability.

All States Require Proof Of Financial Responsibility

(Concluded from page 28)

$100 property damage make the involved parties subject automatically to the specifications set forth by the provisions of the new legislation for Kansas.

Only two states—New Jersey and North Dakota—now have in effect Unsatisfied Judgment Fund Laws, but effective June 1, 1959, the State of Maryland also will have provision for such a Fund. Maryland's Fund, like New Jersey's, will be administered by the insurance companies. North Dakota, on the other hand, requires that the Fund be administered by the State.

Eight of Canada's ten Provinces already require Unsatisfied Judgment Funds. The only exceptions are Saskatchewan and Quebec.

"A debtor may be a good egg, but if coddled long enough he can become hard boiled."

—C.L.L.A. Journal

Cost of Employees' Dishonesty Half of Fire Loss, Says Sked

Embezzlement and other acts of dishonest employees are running up losses to employers that total half the annual cost from fires, says Wilson D. Sked, Chicago, vice president of Marsh & McLennan, Inc.

W. D. SKED

Only the reluctance of many managements to divulge the extent of thefts by their personnel prevents showing the complete statistical evidence of the mounting losses sustained by companies which have failed to protect themselves with coverage against crimes in this category, declares the officer of the insurance brokerage concern.

Ways to insure against intracompany theft were discussed by Mr. Sked in addressing a joint gathering of members of the Knoxville Wholesale Credit Association, Retail Credit Association, Office Management Association and insurance executives and agents.

Mr. Sked, divisional vice chairman, Insurance Advisory Council of the National Association of Credit Management, discussed development of sound insurance programs, from the standpoints of protection of a business and the insurance man's responsibilities at the direction of the company's management. Besides emphasizing the forms of anti-theft protection he described the importance of key-man coverage.

Virginia Increases Under-25 Auto Premium Rate by 40%

In Virginia, insurance companies have won an overall increase of 6.12 per cent in the rates for automobile-damage insurance, but for the under-25 male driver who is owner or principal operator of a car in Virginia, the rate increase is 40 per cent. Nationwide statistics for 1957 show that more than 26 per cent of drivers involved in fatal accidents were under 25 years of age.

Losses of $147 millions on auto-insurance operations were reported for 1957 by 114 companies. They paid out $116.70 in liability claims for every $100 earned in premiums.

Guides to Improve Executive Operation

KEEPING INFORMED

How to Get the Most Out of Your Federal Agency-Insured Savings—Suggestions and free list of highest rates, obtainable from Investorservice, 11 West 42nd St., New York 36, N.Y.

Public Bond Issues for New Projects — Surety Safeguards — Result of a survey into the increasing need for investment of private and public funds in state and municipal bonds, the 16-page booklet briefly explains types of bond issues and points out functions of the corporate surety bond in safeguarding such funds. Free, from Surety Association of America, 60 John Street, New York 38, N. Y.

Supplier's Protection Under New Construction Bonds—Article by George Ashe, manager collection department, Credit Men's Association of Eastern Pennsylvania, is interesting and is recommended to all engaged in the construction field. Reprints available at 25c each to defray cost of printing and mailing. Address George Ashe, Credit Men's Association of Eastern Pennsylvania, 1218 Chestnut St., Philadelphia 7, Pa.

Check Indorsements — A 24-page booklet on how to indorse a check on which your name has been misspelled. Also answers many other questions about indorsements. Write to Hammermill Paper Co., 1523 East Lake Rd., Erie 6, Pa. Price 10¢ a copy.

Traps to Avoid in Small Business Management — A 4-page leaflet giving causes of bankruptcy in a group of small businesses. It points out 18 particularly dangerous pitfalls that await unwary management. Write to the Small Business Administration, Washington 25, D.C. Free.

Informative reports, pamphlets, circulars, etc., which may be of interest to you. Please write directly to the publisher for them. CREDIT AND FINANCIAL MANAGEMENT does not have copies available.

To expedite receiving booklets described below in this column, address all inquiries concerning Efficiency Tips to CREDIT AND FINANCIAL MANAGEMENT, 229 Fourth Ave., New York 3, N. Y.

EFFICIENCY TIPS

705—Actual letters showing distinctive type styles of new Remington Rand Statesman proportional-spacing electric typewriter are available in special folder. Ask us for RE#8922.

▼

706—Maps for business uses, Business-Man's Atlas of the U.S., world maps in line of The George F. Cram Co. are illustrated and described in literature available free. Write us.

▼

707—Card-Velope, single mailing unit combining sales message, return card and addressed envelope, is described in brochure. Sent on request.

BOOK REVIEWS

Risks We Face—An introduction to Property Insurance. Edited by L. J. Ackerman and Ralph W. Bugli. Rev. ed. 1956. National Board of Fire Underwriters, 85 John Street, New York 38, N. Y. 132 pages.

• Non-technical manual of property insurance that will interest insurance buyers, homeowners and all others who can utilize a general approach to the subject. Emphasizing that property insurance is the foundation stone of the entire credit system, the authors briefly discuss the economic importance of the industry, describe aspects of property insurance today. Steps in handling group and individual perils, provisions of the property insurance contract, essential coverages and "package" forms are explained. Single copies available from National Board of Fire Underwriters, att. D. B. Sherwood.

NEW FEDERAL LAWS AFFECTING CREDIT

BEGUN ON PAGE 6

$4,200 as at present, to become effective Jan. 1, 1959. It will be recalled that last February a new law backed by NACM went into effect to require employers who were notified of a delinquency in their withholding taxes to set up special bank accounts for such taxes or suffer up to a $5,000 fine or up to a year in jail, or both.)

Help For Small Business

Another new law, the Small Business Investment Act, makes long-term credit and equity capital more readily available to small business. Under the new statute the Small Business Investment Division is established within the Small Business Administration to provide loans to State and local development corporations for supplying small businesses with long-term credit or equity capital at interest rates not exceeding prevailing local rates.

The Renegotiation Act scheduled to expire on December 31st was given a six months extension to June 30, 1959, during which time Congress will continue its study to determine if further continuation of the Act is needed.

Reciprocal Trade Act Extended

The Reciprocal Trade Agreements Act was extended another four years, giving the President power to cut tariffs 20 per cent in that period. Secretary of Commerce Sinclair Weeks termed the extension "the longest ever made" and said the Act was "the best yet—something we can really do business with." The domestic textile, chemical and other industries were opposed.

Under the new law no more than a 10 per cent reduction can be negotiated in one year. Congress, by a two-thirds vote of both House and Senate, can override the President's rejection of any Tariff Commission decision for relief of a domestic industry damaged by foreign goods imports.

Robert L. Roper

INSURANCE ON A GLOBAL BASIS

BEGUN ON PAGE 12

as he can. The insurance company should fully understand and appreciate the risk it is accepting.

It is not always possible to put in exact words every sense of such an understanding and often much time must elapse before many of the essential details are available but, where there is that integrity and faith, there is justifiable confidence on both sides. It has been my experience that there is little problem of coverage or loss adjustment where such a condition exists, and it can exist when each party is careful of the company he keeps.

We therefore select our insurance carriers with great care, judging them by their integrity and by the facilities they have to provide the protection and service we need at reasonable cost. For example, our workmen's compensation, public liability and automobile liability coverages are placed with Liberty Mutual Insurance Company because of their special ability to work with us in the prevention of loss, because they have the staff to handle claims efficiently at our far-flung locations, and because we feel there is mutual understanding of our problems.

Greeks Had a Word for It

For those who want a little historic flavor, let me say that the earliest form of insurance was probably a bottomry bond (a poor relative of marine insurance) among the ancient Greeks. The earliest form of marine insurance was in the late 1100's. Life insurance came in the 1500's; fire in the 1600's; aviation in 1912; and true hospital insurance in the 1930's.

In recent years there have been no new types of insurance, unless nuclear energy insurance and expropriation and convertibility of foreign currency coverage could be called new types. There have, however, been many new forms and variations which tend to give much broader coverage in one form or unite various forms in a package. There has also been a tendency to give even greater protection by "umbrella" and "difference of conditions" coverages.

The "umbrella" coverage is a liability policy with very high limits and almost limitless scope which one places on top of his standard liability policy. "Difference of conditions" coverage is a form of umbrella for physical loss, rather than liability, by which the usual policy covering fire, wind, and the like is supplemented by a contract covering the difference between the usual policy and all other unnamed risks which might arise.

Eight Areas of Insurance

In a broad way the field of insurance can be broken into certain sections (and ten people could give ten different breakdowns): (1) fire, including such fields as wind, hail, riot, earthquake, explosion; (2) marine, which covers movable items, such as boats, cargoes, contractor's equipment, furs, jewelry, cash; (3) casualty, which includes workmen's compensation, liability for injury or death, and liability for damage to the property of others; (4) boiler and machinery; (5) fidelity and surety; (6) credit and title insurance; (7) life, also pension, hospital-surgical, accident; (8) miscellaneous, such as insurance against expropriation of property in a foreign country and convertibility of foreign currency.

This breakdown is a very broad picture of types of

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T. O. McDAVID

(Concluded from page 23)

This plan requires no deposit balance, no periodic clean-up, and it can be continued indefinitely with the assurance of a continuing source of funds every day in the year. Some firms use the plan for short periods to supplement their bank borrowings; others use it constantly.

INVENTORY FINANCING

Sometimes when the cash needed is greater than the amount the receivables offered would warrant extended, such companies as ours will make advances against both finished goods and raw materials. This is known as inventory financing.

As the finished products are sold and shipped, these inventory loans are automatically liquidated by accounts receivable financing.

OTHER TYPES OF FINANCING

Among other types of financing are loans on fixed assets and other security, as well as the financing of heavy machinery and equipment.

The automotive equipment time payment plan is sponsored by over 100 manufacturers of automotive shop equipment.

AUTOMOTIVE EQUIPMENT PLAN

Many parts wholesalers are also jobbers of automotive shop equipment and tools which they sell to dealer service departments, independent repair shops and service stations. The jobber can sell and finance such sales for unlimited amounts on a monthly payment plan without employing a dime of his own money or borrowed money.

Under this arrangement, which we handle through over 400 local offices, the jobber can sell any number of pieces of equipment on one contract with as little as 10% down, although the average down payment is approximately 20% of the selling price.

Upon approval of the credit, we send the jobber a check for the full amount owed him, and our local office takes over the full responsibility for credit and collection service. So the jobber gets paid immediately—the same as on a full cash sale—and Commercial Credit carries the paper up to 36 months.

What you don't know may not hurt you, but it may make you look pretty stupid.

—N. A. Rombe

Flattery is something nice someone tells you about yourself that you wish were true.

—Anonymous

G. A. STRADER

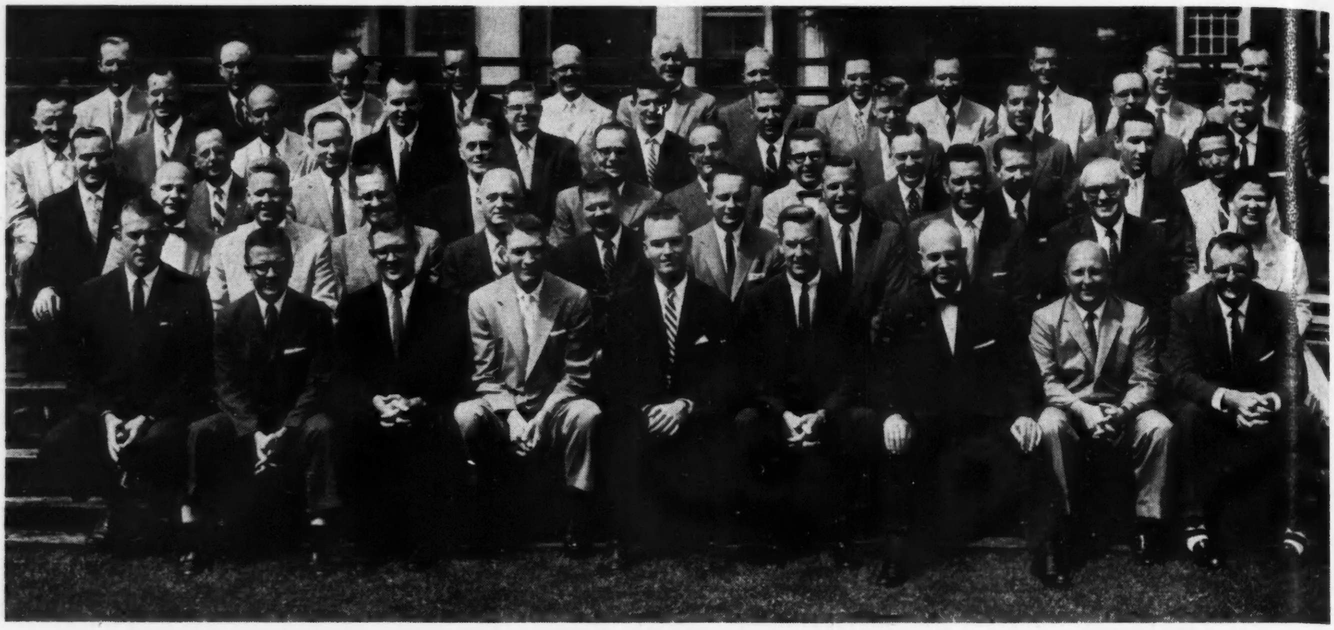
(Concluded from page 22)

ance companies settle for only 80 per cent of the loss." This is a doubly dangerous error.

It is the policyholder who settles for 80 per cent, not the insurance company—let's not put the cart before the horse! The companies pay off at the full 100 per cent current value of the property damaged, if the policyholder complies with his policy's conditions. The policyholder settles, in premium payments, in 80 per cent proportion of the insured property's full current value.

It is highly advantageous for business concerns—at whatever level of either production or distribution—to review their insurance coverage at frequent intervals. The addition of capital assets, individually modest, often attains high accrual values. The expansion of inventories, augmented by seasonal extensions, often carries capital values to very high peaks. The inflationary spiral alone, quite apart from capital additions, has been sufficient to raise the value of capital assets to a dangerously high level in ratio to the insurance coverage currently carried. When this coverage becomes insufficient, a *double loss* is always in prospect: the direct loss from underinsurance, and the related loss implicit in the coinsurance clause.

If such reviews were made a matter of routine at frequent intervals throughout the feverish economic period in which we live and work, there would be little opportunity for a nationwide appraisal organization to report average insurance recoveries of only 52 cents on the dollar and, all too often, as low as 14 per cent of the loss.



Members of the Senior Class at NACM's Graduate School at Dartmouth College

53 Take Home Dartmouth Executive Awards

FIFTY-THREE financial leaders have received the 1958 Executive Award on completing the three-year course given by the Graduate School of Credit and Financial Management at the Amos Tuck School of Business Administration, Dartmouth College, Hanover, N. H. The graduates were from all parts of the nation, and from many lines of business and industry.

The School, conducted as summer sessions by the Credit Research Foundation of the National Association of Credit Management, has been in operation at Dartmouth College for nine years. The seventh session at Stanford University, Palo Alto, Calif., was held in July with 19 Executive Awards presented (See September CFM p.29).

The commencement address at Dartmouth was given by William J. Dickson, consultant, credit and collection service, General Electric Co., New York, as executive director of the school.

Winners of Awards

This year's Dartmouth session included 198 students and 16 faculty members, 4 assistant directors and 5 conference leaders.

Winner of the Alumni Association Honor Merit Award as the senior who has made the most outstanding contribution to leadership in the class and to the school was P. Henry Mueller, assistant vice president, First National City Bank of New York. The presentation was made by C. Houghton Birdsall, Jr., assistant vice president, Chemical Corn Exchange Bank, New York, past alumni president and a 1955 graduate.

The American Petroleum Credit Association Award for the best Management Study report, on the basis of value to credit and financial executives and originality of material, was won by William S. Durrant, assistant cashier, Bank of America NT&SA, San Francisco. His topic: "Financing of Motor Carrier Equipment." The Award was presented by O. E. Barnum, treasurer, American Bridge Division, United States Steel Corporation, Pittsburgh.

Dr. Carl D. Smith, consultant of the Graduate School, presented the candidates for diplomas, which they were awarded by Mr. Dickson.

CALIFORNIA

Los Angeles—ALVA W. GLUCK, branch credit manager, The Hoover Co.; ROBERT F. MAGEE, branch manager, Bank of America NT&SA.

San Francisco—WILLIAM S. DURRANT, assistant cashier, Bank of America NT&SA; JOHN A. GUILBERT, assistant cashier, Bank of America NT&SA.

CONNECTICUT

Hartford—CHARLES E. LORD, assistant vice president, Hartford National Bank and Trust Co.

GEORGIA

Atlanta—W. R. DAGUE, district credit manager, Aluminum Co. of America; C. R. FOUNTAIN, assistant credit manager, Gulf Oil Corp.

Bremen—ALBERT BULLARD, assistant credit manager, Sewell Manufacturing Co.

ILLINOIS

Chicago—THOMAS L. HANSON, credit representative, American Steel and Wire Div., U. S. Steel Corp.; DONALD W. JACOBUS, regional credit manager, U. S. Steel Supply Div., U. S. Steel Corp.; RAYMOND A. JOHNSON, assistant credit manager, Sunbeam Corp.

Cicero—ROBERT F. JOHNSTON, assistant credit manager, A. O. Smith Corp., Permaglas Div.

Moline—HERBERT V. JOHNSON, assistant credit manager, John Deere Plow Co. of Moline.

Robinson—LESTER J. KLENK, district credit supervisor, The Ohio Oil Co.

INDIANA

Indianapolis—DELBERT D. COR-

BIN, district credit manager, The Ohio Oil Co.

KANSAS

Wichita—WAYNE G. HARVEY, assistant controller, Martin K. Eby Construction Co., Inc.

LOUISIANA

New Orleans—EMANUEL F. MARTINEZ, assistant credit manager, Gulf Refining Co.

MAINE

Portland—WILLIAM D. IRELAND, JR., vice president, The Canal National Bank of Portland.

MASSACHUSETTS

Boston—THOMAS J. BROWN, assistant credit manager, Gulf Oil Corp.
Maynard—PETER M. REDING, manager, business section, plastics group, Raytheon Manufacturing Co.

MICHIGAN

Detroit—THOMAS L. ADAMS, credit representative, Great Lakes Steel Corp.; VAUGHN A. KNUDSEN, comptroller, Refrigeration Discount Corp.

MISSOURI

Kansas City—THOMAS J. THORPE, credit manager, Universal Atlas Cement Co.

NEBRASKA

Omaha—JOHN R. MUELLER, assistant to the treasurer, Carpenter Paper Co.

NEW JERSEY

Milltown — WILLIAM ROONEY, credit manager, Personal Products Corp.
Somerville—ROBERT L. WEEKS, credit manager, Ethicon, Inc.

NEW YORK

Auburn—JAMES M. GALLAGHER, credit manager, Electronic Components Dept., General Electric Co.
Cayuga—WILBUR L. TOWNSEND, retail investments manager, The Beacon Milling Co. Inc.
New York—HOWARD F. ANDERSON, branch manager, First National City Bank of New York; CHARLES W. BLUE, senior credit analyst, First National Bank of Boston; ROBERT W. BRINK, credit representative, American Steel and Wire Div., U. S. Steel Corp.; WILLIAM L. BUSCH, general credit manager, Charles Pfizer & Co., Inc.; FRANK V. GATES, manager, credit & collection div., U. S. Steel Export Co.; DAVID T. HOPPER, credit manager, ACF Industries Inc.; SAMUEL W. KEARNEY, assistant section head, credit department, First National City Bank of New York; P. HENRY MUELLER, assistant vice president, First National City Bank of New York; JOHN H. NEWBERGER, senior credit man, Commercial Factors Corp.
Rochester—GEORGE M. ANGLE, vice president, Genesee Valley Union Trust Co.; LESTER G. WILTERDINK, general credit manager, Stromberg-Carlson.
Troy—EDWARD F. MOYLAN, executive vice president, Manufacturers National Bank of Troy.

OHIO

Cincinnati—JOHN W. GANTT, assistant vice president, First National Bank of Cincinnati.
Cleveland—ARTHUR J. COLLINS, assistant credit manager, Republic Steel Corp.; JAMES D. STEVENSON, credit manager, The Reliance Electric and Engineering Company.
Middletown—RICHARD W. HAYES, credit manager, Armco Drainage & Metal Products, Inc.

PENNSYLVANIA

New Holland—ARVID L. KRETZ, field credit manager, New Holland Machine Co.
Pittsburgh—GEORGE A. ALLEN, credit representative, central operations, U. S. Steel Corp.; GEORGE E. DANIELS, credit manager, Rockwell Manufacturing Co.; JASPER M. WILLIFORD, assistant credit manager, National Tube Div., U. S. Steel Corp.

TEXAS

Houston — MRS. BEATRICE R. ADAMS, credit manager, Behrings Bearing Service, Inc.; WAYLAND C. PHILLEY, area credit manager, Oil Well Supply Div., U. S. Steel Corp.; LEWIS SEAGO, credit manager, Houston Oil Field Material Co., Inc.

VIRGINIA

Franklin—JOHN M. CAMP, JR., assistant treasurer, Union Bag-Camp Paper Corp.

coverage. They often are combined in one policy for simplicity, such as automobile insurance which has liability, fire, and medical types in one package, and the homeowner's policy which has fire, liability, and marine.

As insurance manager for Freeport Sulphur Company and its affiliated companies, principally Cuban American Nickel Company, Moa Bay Mining Company, and National Potash Company, my job is to insure the employees, properties, and operations of these companies against a lot of things that can happen to them directly or indirectly. Our principal products at the moment are sulphur, oil, gas, potash and nickel. Our principal operations are in the United States and Cuba, but at any time one or more of our employees may be in most any country of the world selling our products or looking for minerals.

Sulphur operations are our oldest and largest at the moment. We have five operating properties scattered over 75 miles of southern Louisiana from one mile to forty miles from the Gulf, mostly in water and mud and often in hurricanes, high winds, and high water. It was quite an engineering feat to build most of these plants where there is no solid ground, where buildings are usually connected by catwalks, and where there is no access except by water.

Communication Problems

Transportation among three of the plants and the town and shipping center at Port Sulphur (the latter having just about enough land to keep the population a part of the United States) is either by boat or amphibious plane. Because telephone poles won't float, communication among the properties is principally by phone through the use of microwave towers (which beam many TV programs and phone calls across the United States). Radio is also used, just in case. Much of the sulphur operations, for example the power plants, warehouses and shipping, is not unusual from the insurance standpoint, but our location in the marshland of Louisiana adds some features to insurance that are not routine.

The sulphur operations require a blend of land, sea, and air insurance. For example, in drilling for sulphur, which is done in a fashion similar to oil, part of it is done on relatively firm ground but a great deal of it must be accomplished by the use of drilling barges. Thus, while an ordinary drilling derrick might be nothing more than a frame structure on land, worth $30,000 or so, when we take to the water to do our drilling it requires a drilling barge worth six or seven times that much, and the latter is subject to many more hazards as a combined drilling operation and vessel operation than the former.

From Land Craftsman to Sailor

Furthermore, the man working on the land derrick may be a skilled craftsman, but when he works on the drilling barge he may become a seaman in the eyes of the law. Most employees work in regular buildings as regular mechanics, carpenters, and so on, but to get to work most of them either fly by plane or helicopter or ride in cabin cruisers. While it is by no means unique to have a plant subject to high winds in certain areas of the country and possibly subject to flood in other sections, we are located where both winds and floods can strike, singly or doubly—and do.

Not content with the somewhat unusual hazards we have ashore, we are now constructing a sulphur plant (complete with power plant, warehouse, office, living quarters, heliport, and drilling platforms) seven miles out in the Gulf of Mexico in 50′ of water. This plant will be about one mile long and will bring sulphur up from under the bottom of the sea. This is not the first offshore structure built. There are the Texas Towers for radar off the New England coast, and for years there have been oil drilling platforms in the Gulf. But this unit will be by far the largest offshore structure and also the only complete permanent operating plant ever built at sea.

Added Hazards in Gulf

Those who have had property constructed are aware that it can be covered for the usual hazards, but in building a plant at sea the basic construction will go on from barges bobbing about in the Gulf. There will be added features such as fog, winds, waves, and passing vessels to add to the risk and, because of the location, a small fleet of helicopters will be necessary to get people in and out of the plant. Probably the most unusual feature of this project, in addition to the unusual risks, will be that some of the insurance will be a weird combination of land and sea coverages because the property, though a plant such as you might put in Sheboygan, for example, bears a remarkable resemblance to a very large vessel anchored at sea, or a Golden Gate bridge with no place to go at either end.

In order to keep our engineering, traffic, accounting, and, incidentally, insurance departments on their toes, we also are engaged in constructing a nickel mining plant in an isolated spot on the northeast coast of Cuba, about 500 miles east of glamorous Havana but, even worse, about 50 miles over mountains and jungles to Santiago or 60 miles east along the coast to the nearest post office at Baracoa.

Plant Is Only Part of It

Because of its location, this property will require not only a plant but a hospital, schools, houses, churches, stores, a fire department, police department, bus service, outdoor movie. The property includes an airport and two planes. Too, the natives have been uneasy, and so we have intermittently played host to the rebels or the Cuban Army (or both, with resulting fireworks). The rebels recently played host to a few of our employees (as hostages) for a week or so.

Over in the rolling desert country of New Mexico we have a 50 per cent interest in a potash mine. As our properties go, this one was relatively normal as regards hazards. We dug a hole about 1700′ into the earth, put in a couple of elevators, erected a few ordinary buildings, and went into the potash business. Except for the sheer joy of driving across the desert 30 miles to work each way each day and the occasional risk of turning up a tired rattlesnake, this property goes along like any normal business operation so far as insurance problems are concerned—no winds, no floods, no mud, no jungles, no revolution. It is really my favorite property to handle.

Simple Photocopy Device Slashes Time For Order-Fulfillment by Two-Thirds

NOW may be a very good time to take a closer look at the method of processing orders in your company, particularly if resigned to a traditional tying up of clerical and other workers' time in proofreading and checking of data. How a simple photocopy device slashed order-fulfillment time two-thirds for Michigan Division, Thompson Products, Inc., relieved the sales department of burdensome detail, and brought about integration of order functions with other data processing operations, is well worth noting.

Thompson Products, Inc., is a leading manufacturer and supplier of automotive, aircraft, industrial and electronic products.

Customer's Order Photocopied

Key to expediting order-fulfillment is the use of the customer's own signed purchase order to initiate production, explains B. C. Schulte, tabulating department manager at the Michigan Division in Warren. Thompson's sales department achieves this by using exact photocopies of customer purchase orders for entry of production orders within its own organization.

The situation which led to the adoption of photocopying for order entry resulted from a typical problem characteristic of the automotive parts supply industry. Following the custom of the industry, most orders are placed to cover the purchaser's needs for a full model-year. Deliveries against these orders are accomplished through intermittent releases on schedules which tie in closely with new car production. Invoicing is also accomplished intermittently with the delivery of each group of parts, but pricing is based on the full model-year with adjustments according to experience.

Following time-honored methods, sales orders authorizing factory production used to be handled with a complete retyping of all order data at the time of each release. It literally took a battery of typewriters in the sales department to keep up with the daily volume of 100 to 150 orders. In addition, it tied up the department's clerical staff still further checking and rechecking the orders to verify accuracy.

TO INITIATE a sales order which authorizes production at the Thompson Products Detroit plant, a clerk in the sales department merely places the original customer order in the upper portion of the Eastman Kodak Verifax Copier together with a matrix sheet. In about a minute the finished photocopy is ready for use. This simple method makes it possible for the sales department to release orders in a fraction of the time formerly required, and at the same time it sets in motion a highly automated paperwork procedure.

This former clerical procedure was also completely isolated from similar operations elsewhere in the plant. So, other typists had to go over the same ground and repeat the same proofreading jobs in the preparation of shipping papers and, later, invoices.

Updating the System

Recently, however, Thompson tied the entire procedure together with a program of integrated data processing. One of the important keys to the new system was relieving the sales department of its clerical burden so that more time could be spent in customer contact and service. The entire complex typing-and-proofreading was replaced with the installation of a Verifax Copier, product of Eastman Kodak Company, which now makes it possible to handle all sales order releases as a part time by-product of other clerical operations.

The sales department maintains a master control schedule covering sales order releases. When a release comes due, the original purchase order, under the present system, is withdrawn from its files, the photocopies required to accomplish the release are prepared, and the document is returned to file, all within a matter of minutes. The Verifax Copier makes it possible for any clerk, after minimum training, to prepare a dry, ready-to-use photocopy in about one minute.

Maximum Speed, Minimum Error

Under this plan, the newly initiated sales orders are out of the sales department and into the processing sequence of the production department without delay and with no room for possible clerical error. From there, production speed is kept at a maximum and error possibility at a minimum through the use of Flexowriters, tape-operated electric typewriters which put the plant's paper work on a self-perpetuating basis. Sales orders are now written automatically from master tapes. The same tapes are used to write invoices, and, simultaneously, shipping orders are prepared on a robot machine in the shipping department.

"This paper work automation makes it possible for Thompson Products to enter and process its sales orders in just a little more than a third of the man-hours formerly required," notes Mr. Schulte. "Savings have been enough to pay for all equipment involved in less than eight months. Five clerks, who formerly held tedious jobs on which labor turnover was unavoidably high, have now been freed for more interesting work elsewhere in the plant.

"Just as important, however, customer service is at an all-time high and a portion of the sales department's work which used to represent a major administrative problem is now one of its stronger operational points."

NACM Plea to Limit Tax Priority Wins Round

House Approval of Bankruptcy Bill Presages Action by Senate

(Editor's note: *The following comments are from the House judiciary committee's favorable report of a proposal by the National Association of Credit Management that tax priorities in bankruptcy be limited. The concluding letter is not a part of the report, but was submitted by* NACM *to the Senate judiciary committee following House passage of H.R. 12802. The full text of report and bill may be obtained by writing:* Clerk of the Document Room, U.S. House of Representatives, Washington 25, D.C. for House Report No. 2535—85th Congress.)

THE fundamental policy of the Bankruptcy Act is to provide a means for the effective rehabilitation of the bankrupt and the equitable distribution of his assets among his creditors. Under existing law, debts for taxes are not affected by a discharge in bankruptcy. Similarly, taxes are entitled to a priority of payment, in advance of the payment of any dividend to general creditors, which is unlimited as to time. This applies to all taxes whether due to Federal, State, or local governments. Although taxes have enjoyed this special status for many years, the enormous increase in the tax burden during recent years and the consequent impact on both the distribution of a bankrupt's estate and his financial rehabilitation require a modification of that status.

Nondischargeability Aspect

There are two aspects to the problem. The first of these involves the nondischargeability of taxes under the present law. Frequently, this prevents an honest but financially unfortunate debtor from making a fresh start unburdened by what may be an overwhelming liability for accumulated taxes. The large proportion of individual and commercial income now consumed by various taxes makes the problem especially acute. The committee recognizes the fact that different types of taxes present different problems to tax collectors. The accuracy of some types of tax returns can be determined immediately. Others, like income taxes, require some time to audit.

Rather than attempt a classification of the enormous variety of Federal, State, municipal, county, city, village, and various district taxes for the purpose of establishing varying limits on dischargeability, the committee has extended the original proposal of one year for all taxes to three years. The fact that tax claims for the three years preceding bankruptcy will not be discharged should serve to discourage recourse to bankruptcy as a facile device for evading tax obligations. At the same time it will become feasible for an industrious debtor to reestablish himself as a productive and taxpaying member of society.

Equitable Distribution of Assets

The second aspect of the problem involves the equitable distribution of the assets of the bankrupt's estate among creditors. The priority claimant is an unsecured creditor who has been placed in a position superior to that of the general unsecured creditors. Thus, administrative expenses, wage claims, taxes, and rent claims where State law gives a priority to landlords, are all paid before general creditors. The wage priority is restricted to $600 per claimant earned within three months prior to bankruptcy. Similarly, the rent priority is restricted to the amount due for actual use and occupancy within three months before bankruptcy.

However, there is no time limit under the present law on the priority accorded taxes. The result has frequently been that tax collectors, assured of a prior claim on the assets of a failing debtor and assured of the nondischargeability of uncollectible tax claims, have allowed taxes to accumulate and remain unpaid for long periods of time. With the proliferation of new taxes and the increased rates of old taxes, frequently little or nothing is left for distribution.

House passage of H.R. 12802 in the last days of the 85th Congress came too late for Senate action this year. It is expected, however, that the bill will be reintroduced under a new number early in the 86th Congress which convenes in the first week of January. The recent House action should serve to expedite the bill's progress through the House at that time and set the stage for early Senate consideration.
—National Legislative *Committee, NACM*

Safeguarding Public's Interest

The committee has received hundreds of letters from business firms all over the country complaining about this situation. The committee believes that limiting tax priority to those taxes which became due and owing within three years preceding bankruptcy adequately safeguards the public's interest in the collection of revenues while at the same time limiting the impact of long accumulated, unsecured tax claims on general creditors. The imposition of such a limitation will induce taxing authorities to act to prevent large accumulations of tax claims.

In establishing what this limitation should be, the committee was concerned with its effect in forcing tax authorities to precipitate business failures in safeguarding the interest of the Government. For that reason, the committee rejected the one-year limitation on both priority and nondischargeability which was first proposed. However, the committee believes that a business which is unable to meet tax obligations extending back more than three years is unlikely to recover financial viability. The continued failure to protect the Government's tax interest by instituting liens or distraint warrants generally results only in compounding the loss suffered by general creditors and the Government as well. Furthermore, the effect of forcing the financial issue may, in some cases, be to save the debtor before his position becomes helpless.

The Committee on the Judiciary believes that H.R. 12802 presents a most desirable and necessary resolution of the conflict between the demands of the public revenue on the one hand and the underlying pur-

(Concluded on following page)

CALENDAR OF EVENTS IMPORTANT TO CREDIT

San Francisco, California
October 9-10
Pacific Southwest Credit Conference, including California, Arizona, Utah, Colorado, Nevada

El Paso, Texas
October 10-12
Annual Southwest Credit Conference, including Oklahoma, Texas, Arizona, Arkansas, Louisiana and New Mexico

Atlanta, Georgia
October 12-15
Annual Conference of American Petroleum Credit Association

St. Joseph, Missouri
October 16-18
Quad-State Credit Conference, including Kansas, Missouri, Southern and Western Illinois

Atlantic City, New Jersey
October 16-18
NACM Tri-State Conference, including New York, New Jersey and Eastern Pennsylvania
Host: New York Credit & Financial Management Association

Birmingham, Alabama
October 16-18
Annual Southeastern Credit Conference, covering Tennessee, Mississippi, Alabama, Georgia, Florida, South Carolina, North Carolina, Louisiana

Worcester, Massachusetts
October 22-23
New England District Credit Conference, covering Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont

Dayton, Ohio
October 23-24
Ohio Valley Regional Credit Conference, covering Ohio, Western Pennsylvania, West Virginia, Kentucky and Eastern Michigan

Minneapolis, Minnesota
October 24-26
Annual Midwest Credit Women's Conference

White Sulphur Springs, W. Va.
November 9-12
Annual Fall Conference — Robert Morris Associates

Tacoma, Washington
March 19-20, 1959
Conference of the Credit Executives of the Pacific Northwest, including Idaho, Oregon, Washington, and British Columbia

Dallas, Texas
May 3-7, 1959
63rd Annual Credit Congress

TAX PRIORITIES

(Concluded from page 39)

poses of the Bankruptcy Act on the other.

Text of Letter Sent by NACM To Senate Committee Chairman

August 14, 1958

Dear Senator Eastland:

We are taking the liberty of calling your attention to the above numbered bill (H.R. 12802—85th Congress) which passed the House of Representatives on August 12, 1958. We understand it has now been referred to your Committee for consideration. This bill is of great interest and importance to the business interests of the United States and particularly to that segment of the business community which is engaged in the extension of commercial credit—some 36,000 of whom are members of this Association.

As you are undoubtedly aware, under the existing provisions of the Bankruptcy Law, tax claims without limit are entitled to priority over the claims of merchandise creditors. The taxing authorities, both Federal and State, taking advantage of this unlimited priority, too frequently permit back taxes to accumulate, as a result of which, when bankruptcy ensues, the tax creditors often take practically the entire estate to the detriment of the other creditors.

There is generally no way that merchandise and banking creditors can ascertain the extent of a debtor's liability for unpaid taxes until the claims are asserted in the bankruptcy proceedings. The entire basis for the extension of credit is often destroyed by these concealed liabilities. H.R. 12802, if enacted, would provide a partial remedy for the situation outlined above. The bill would limit the priority of tax claims to taxes which have become legally due and owing within three years prior to bankruptcy.

The other feature of the bill is one which is of importance to individual debtors who become bankrupt. Under the present law, tax claims are not dischargeable. A debtor can get no relief from the burden of taxes through a bankruptcy proceeding. To corporate debtors, this has been of no importance because the liability attaches to the corporate entity. The owners avoid the undischarged tax liability by forming a new corporation. The above numbered bill partially corrects this inequity. It provides that taxes more than three years old, to the extent not paid in the bankruptcy proceedings or secured by a lien, are discharged by the discharge of the bankrupt.

We sincerely hope that your Committee and the Senate as a whole may act favorably on this bill at the present session of Congress.

National Association of
Credit Management
Henry H. Heimann,
Executive Vice President

Archie H. Cohen, Editor of Referees' Journal, Is Dead

Archie H. Cohen, who in 1949 became editor of the *Journal* of the National Association of Referees in Bankruptcy, died in Evanston, Ill., after a brief illness.

Mr. Cohen was admitted to the Illinois Bar in 1915, served as master in chancery, circuit of Cook county, became a referee in bankruptcy for the northern district of Illinois, was a member of the board of review of General Services Administration, Washington, a chairman of the committee on bankruptcies and reorganizations of the Chicago Bar Association.

Moran Lectures to Seniors At Sales Executives' School

CREDIT as a sales tool is inadequately understood and all too infrequently used to develop increased sales, said Edwin B. Moran, vice president, National Association of Credit Management, addressing the senior class at the National Sales Executives' Graduate School of Sales Management and Marketing at Rutgers University, New Brunswick, N. J.

E. B. MORAN

Emphasizing that the credit department should be and can be a prime factor in increased production and distribution, Mr. Moran, past president of the Chicago Sales Executives Club, declared, "Modern credit management is fully as salesminded as the sales department personnel and as alert to development of maximum sound sales volume and profits as any executive of the company."

"Too tight credit policies can be as detrimental to your sales volume as those which are too loose", the author of "The Credit Side of Selling" told the sales managers. Cautioning that last year's credit policy may already be obsolete, he pointed out as "highly possible" that "it may be necessary to re-appraise, re-evaluate, re-juvenate and revitalize your credit policies, if you are to continue financially stable and strong."

Original Market Researcher

Calling the credit manager the original market researcher, the guest lecturer urged maximum coordination between sales and credit executives and personnel.

Proper understanding and appreciation of his company's credit and collection practices is vital to the salesman not only in direct relation to sales volume but also in advancement of good customer relations. Furthermore, in these days of keener competition the credit manager's counseling and developing of the marginal account can be a valuable asset to the salesman, the "students" were advised.

The only difference between the goals of sales management and credit management is that "the sales manager strives for increased turnover of inventory whereas the credit manager strives for increased turnover of working capital", Mr. Moran said.

How Field Salesman Can Help

"More pre-analysis, less post-mortem, is needed in credit department management to maintain and improve sales volume and earnings. To that end field salesmen must cooperate by providing the credit manager with information and observations that may indicate trends of customer attitude, actions and prospects."

Underscoring that credit managers are spending more and more time in the field to acquaint themselves personally with the affairs and problems of their customers, Mr. Moran declared that "the swivel chair has ruined more men than wine, women and gambling".

Mr. Moran was also a guest speaker at the 15th Annual Conference of Sales Managers, at Ohio State University in September. Fifteen Sales Executives' Clubs cooperated.

Midwest Credit Women Will Hear Four Wellknown Speakers

Four speakers of note will analyze topics international and domestic at the Annual Midwest Credit Women's Conference in Minneapolis October 24, 25 and 26.

Dr. Walter H. Judd, Congressman from Minnesota and former medical missionary to China, is an authority on the Orient. Dr. Judd addressed the 60th Annual Credit Congress in Cincinnati.

Dr. Arthur Upgren, formerly on the faculty of NACM's Graduate School of Credit and Financial Management (Dartmouth), is Frederick R. Bigelow professor of economics at Macalester College, St. Paul.

Ernestine Gilbreth Carey, coauthor of "Cheaper by the Dozen", which was made into a motion picture comedy feature, and Dr. Joyce Brothers, psychologist, winner of the "$64,000 Question" TV headliner, will round out the varied program, which also includes a "Centennial Frolic" on the opening night and the annual banquet Saturday.

Zebras Get Set for Big Year Under Sansoni's Leadership

UNDER the leadership of Grand Exalted Superzeb J. D. SANSONI, credit manager, Avondale Marine Ways, New Orleans, the Royal Order of Zebras began fall activities with a program shaping up to add new corrals.

J. D. SANSONI

JOHN G. DEPASS, National—U.S. Radiator Corporation, Johnstown, Pa., is Vice Grand Exalted Superzeb. J. B. CHARLES, New Orleans Credit Men's Association, was named Grand-Zebratory Zebrayer, and E. F. GUEBLE, general credit manager, The Garrett Corporation, Los Angeles, is Grand Councillor. Mr. Gueble is president of the Credit Managers Association of Southern California, Inc.

Following are the Rangers for 1958-59:

Eastern—GORDON H. STRANG, U.S. Fidelity & Guaranty Co., Boston;

Atlantic—DANIEL SHEVCHIK, Overly Manufacturing Co., Greensburg, Pa.

North Central—JOSEPH V. VALLERO, National Auto Supply Co., East St. Louis, Ill.

South Central—NED M. FRENCH, McDonald Bros., Inc., Memphis.

Western—O. M. THOMSEN, McKesson & Robbins, Inc., San Leandro, Calif.

Pacific—PAUL LIN LOO, Pacific Meat Co., Honolulu.

18 States Require Employers To Withhold for Income Taxes

EIGHTEEN of the states taxing individual income now require that employers withhold income tax from employees' paychecks. Of the 31 states imposing personal income taxes on wages and salaries, 11 decree the general tax withholding by employers on wages paid both resident and nonresident workers, as does also the District of Columbia, says Commerce Clearing House. Withholding applies to only nonresidents in five more states, and two others provide for it under special circumstances.

ON THE

Personal Side

GEORGE T. COWAN has been named vice president, Johnson & Higgins, New York. He began with the international insurance brokers and pension plan consultants in 1942 as account executive specializing in insurance for banks. Prior to that he was for 14 years with Chase National Bank. He is a director of the New York Credit & Financial Management Association and chairman of its insurance advisory council; member of the insurance advisory council of the National Association of Credit Management and insurance consultant to Savings Banks Insurance Forum of the State of New York.

A. F. GODDARD, now vice president and controller, J. E. Lutz & Company, Knoxville, Tenn., began in 1928 as office boy. Now a director of the general insurance company, Mr. Goddard served as cashier, assistant secretary, treasurer and secretary. He is past president of the Knoxville Wholesale Credit Association (1948-49), and an active member of the insurance advisory council, National Association of Credit Management.

JOSEPH A. NEUMANN, president of Flynn-Neumann Agency, Jamaica, N.Y., has been named chairman of the 1959 advertising campaign of the National Association of Insurance Agents, Inc. The association is composed of over 33,000 independent fire and casualty insurance agents. Mr. Neumann is a past president of the National Association of Insurance Agents and of the New York State Association of Insurance Agents, a director of the Insurance Society of New York and executive committee member of the Insurance Federation of the State of New York.

JOHN C. WIESNER has been advanced to assistant treasurer of California Packing Corporation, San Francisco, and continues to have general credit management responsibility. He is immediate past president of the Credit Managers Association of Northern and Central California, and holds the 1955 Alumni Credit Award of NACM's Graduate School of Credit and Financial Management, Stanford.

Mr. Wiesner began in the credit department of the company 32 years ago and became credit manager in 1948.

R. H. Ward, named assistant secretary, continues as systems and special accounting division manager.

A step in the merger of the Stainless Steel and Strip Steel Divisions of Jones & Laughlin Steel Corporation, Pittsburgh, is reflected in several appointments of accounting and treasury personnel.

JAMES J. PAULOS has been named controller of the new combined division; ALBERT E. FREED, JR., assistant treasurer; and RALPH R. GARDINER administrative assistant to the president—J&L Stainless and Strip Division.

Mr. Paulos, University of Michigan graduate, had joined Rotary Electric Steel Company (which became J&L Stainless Steel Division) as supervisor of systems and procedures, and was promoted to division controller last year.

Mr. Freed, past president of the Youngstown Association of Credit Men, took accounting courses at Youngstown College and became associated with Cold Metal Products (J&L Strip Steel Division) as an auditor, advanced to assistant treasurer and division controller last year.

Mr. Gardiner, member of the Detroit Association of Credit Men, completed an accounting course in Canada before joining Rotary Electric, was successively assistant controller, controller, secretary and treasurer of Rotary, and last year was named assistant treasurer of J&L's Stainless Steel Division.

S. B. BRANDYBERRY has been promoted to supervisor of accounting—strip plants.

Mr. Brandyberry last year was named division accountant and credit manager, J&L Strip Steel Division. He joined the division's predecessor, Cold Metal Products, in 1953 as assistant auditor and credit manager.


G. T. COWAN


A. F. GODDARD


J. C. WIESNER


MISS KILPATRICK

MISS MARCELLE KILPATRICK has been named assistant cashier, Bank of America Arguello-Geary branch, San Francisco. President of the Credit Women's Group of the Credit Managers' Association of Northern and Central California, and member of the association's education committee, Miss Kilpatrick is a Timeplan lending officer in the bank in which she began as a teller. Last January she entered the bank's executive development program.

STANLEY E. WHITTIER has been named credit manager, Van Camp Sea Food Company, Inc. and Chicken of the Sea Inc. worldwide operations, Terminal Island, Calif. He formerly was assistant credit manager, Electric Equipment Company, Los Angeles.

In promotions at The General Tire & Rubber Company, Akron, CHESTER A. HILL, assistant treasurer since 1953. has stepped up to treasurer, and E. W. LUTZ, general credit manager, has become assistant treasurer. Mr. Lutz began with General Tire in 1931 as credit manager at Minneapolis, advancing to eastern and New England division credit manager at New York, to general credit manager of the company in 1950.